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# China

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## Beijing Public Opinion on Current Political Situation

93CM0065A Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 71, 18 Nov 92 pp 13-15

[Article by Cai Yongmei (5591 0737 2734): "What Will Happen When Deng Xiaoping Dies? Report on Visit to Beijing's 14th Plenum"]

[Text] A heat wave of commercial fervor ignites all Beijing. All work units are engaged in business with the exception of the Mao Zedong Mausoleum. The people still think of the June 4th incident, wondering how various factional conflicts and dissatisfied groups will erupt upon Deng Xiaoping's death, however.

Three years ago I stayed at the Peking Hotel when I visited China during the 1989 civil movement. I still recall my impressions of the waves of demonstrators and the impassioned slogans and songs of young students. As luck would have it, upon my return three years later for interviews at the 14th Plenum of the CPC, I again stayed at the Peking Hotel, but I saw a different world before my eyes.

### *World's largest McDonald's at Wang Fujing intersection*

The largest McDonald's fast food restaurant in the world has been built at the intersection of Wang Fujing Blvd adjacent to the Peking Hotel. The golden arches of the enormous letter M sign on the roof can be seen a long way off. A retail district stretches from that intersection on to Chang'an Blvd in the Dongdan section of the city. Street vendors are thickly dotted throughout. There is everything one wants to eat or wear. A visitor here from the south feels it is just like a market, it is just as bustling, the same as Hong Kong's markets.

Wang Fujing and Dongdan are bustling without comparison. Every department store pushes sales. Some have sent out a legion of young girls wearing fashionable clothes with bright red epaulettes on their shoulders to pull customers in from the streets. Other stores hold buy something and have a lottery chance drawings for high quality radios, color TVs or refrigerators. All these prizes are piled on the counters to whet people's appetites.

It is said that this bustling golden area of Beijing will soon be sold to a big Hong Kong financial consortium to build a world class commercial district. At present, construction is under way on the Xiehe Hospital side. This is said to be for a large shopping mall of more than 10,000 sqm.

In addition, Xidan, Dongxi, Qianmen, Xiushui and other markets are rather busy, too. I visited Qianmen and it was no less bustling than Wang Fujing. The rapid expansion of little stalls, street vendors, stores and restaurants now stretches to the Gugong, Summer Palace, and even to the sacred Great Hall of the People, the Revolutionary Martyrs' Museum and the Military Museum. **Probably the only one not engaged in commerce in Beijing is the Mao Zedong Mausoleum.**

Compared to three years ago, the economic boom is obvious to all. But the greatest change is in the people. Many friends asked, "could we cooperate in some business?"

One intellectual after another on the mainland has dropped that posture and is in search of gold and profit. One friend told me that after his school-teacher mother retired, she plans to set up a stall selling fast foreign food. Even China's highest level cultural and social palace, the Chinese Academy of Social Sciences, has begun sniffing the smell of copper. It is said many scholars no longer come to the office but are out doing business, particularly the research institutes dealing with economic matters, where nine out of 10 seats are empty. Some are off consulting for friends' companies, others are seeking their chances in Shenzhen in the south. The only ones who can still sit still are those in philosophy or literature. It is not that they are any loftier but that **"their knowledge is not saleable."**

### *Those from civil movement become successful entrepreneurs*

The most richly dramatic change was in someone who had spent one and one-half years in prison for participating in the civil movement. He is somewhat famous in Beijing's cultural world as well. He enlisted in the civil movement of 1989, demonstrated, and was a fully arduous scholar. After coming out of prison he turned toward market development, was resourceful, and successful. A friend from Hong Kong wanted to meet him, so he arranged to do so at the high class restaurant of a five star hotel. He arrived dressed in a full western suit, portable telephone in hand. He paid with a credit card, scaring my Hong Kong friend until he did not know how to describe him. The former hero of the civil movement had no interest in discussing politics.

**It seems indifference to politics and hankering after economics is a common feeling on the mainland.** The average person is entirely indifferent to the 14th Plenum of the CPC under way right now, and is entirely uninterested in the rise and fall of participants. My friends say now probably only some intellectuals in Beijing still are greatly interested in national affairs.

A large portion of this political distancing is due to difficulties one hates to mention because there is nothing one can do. While in Beijing on the one hand I felt the powerful momentum of rapid economic growth and on the other hand also the low barometric pressure of the political environment, making it hard to breathe there. The peoples' desire to participate in politics is greatly dampened.

### *Conservatism and closedness greater than in all previous plenums*

Regarding the CPC's 14th Plenum, there categorically was no transparency or intra-party democracy. Its conservatism and closedness exceeded that of all previous plenums. In the closing ceremony on the 18th, more than

500 Chinese and foreign reporters were kept for nearly two and one-half hours in a waiting room. When we finally entered the hall, we saw **2,000 representatives vote on four resolutions devoid of content, all in all it took less than 30 minutes. Each resolution probably only took three to four minutes.**

**The 2,000 representatives seemed like soldiers who follow orders absolutely.** When at the podium, Jiang Zemin, general secretary, said "all in favor, raise your hands," a sea of hands arose. Then he said, "hands down," and they all fell. Next Jiang Zemin announced, "those opposed, raise your hands," and he waited maybe only three seconds. Since no one raised their hands, Jiang said, "none." Next came, "abstainers, raise your hands," and again, "none."

All four resolutions were mechanically passed like this. One foreign reporter after another who watched from the second floor shook his head and sighed, incomparably disappointed. After the meeting dispersed, a foreign reporter asked me, "are you surprised at the outcome?" I said I was very surprised. He said he would be surprised if the outcome for the Communist Party was otherwise.

Many predict that the political atmosphere on the mainland gradually will lighten up after the 14th Plenum, but I could not see it while in Beijing. **I called on some intellectuals who still are on the CPC's black list and are not allowed to publish books or articles.** Even red economists are greatly restricted. For example, they cannot be interviewed by foreign, Hong Kong or Taiwan reporters. Regulations govern Beijing University and RENMIN RIBAO; approval must be received by the foreign affairs office before being interviewed. At Beijing University, it is even stipulated that reporters cannot visit the homes of professors at will. Former RENMIN RIBAO chief **Hu Xuwei** [5170 4958 0251] got in trouble with the paper after he received a Hong Kong MING PAO reporter at home.

*Shao Huaze, Zheng Bijian leftist kings too*

Some leftist kings of the Chinese Communist cultural propaganda sectors have fallen from power, but this does not imply that the liberal faction will win. Intellectuals in Beijing say that the newly empowered **Shao Huaze** [6730 5478 3419] and **Zheng Bijian** [6774 1801 1017] actually are leftists. They are not much different from **Gao Di** [7559 3695] and **He Jingzhi** [6320 2417 0037]; only their leftism is less repulsive.

Nonetheless, while in Beijing I heard some rumors that after the 14th Plenum the CPC wants to reverse accounts on verdicts for liberal intellectuals using the spirit of Deng Xiaoping's southern tour speech. They may even seize some others. The rumors were somewhat tense. Upon my return to Hong Kong I discovered that after the 14th Plenum ended some liberal intellectuals and civil movement participants on the mainland really were arrested.

People in Beijing say that Deng Xiaoping wants to travel the road of Singapore in new authoritarianism. He specially invited Lee Kwanhui to China before the 14th Plenum to learn from his experience.

Can such a path of economic opening with high pressure politics be taken? **Zhou Duo** [0719 5305], **one of the four Tianan Men Square hunger strikers**, does not see that it can. He told me that three factors will make it hard for Deng Xiaoping to take the path of new authoritarianism. First, the chance has been forfeited. There was a good chance for the CPC to take this path before the dissolution of communism in Eastern Europe, but Deng Xiaoping did not take the chance during the decade from 1978 until 1989. He often fluctuated and vacillated, losing good opportunities. Second, if the communists want to take this path, **great treasure is put on Deng Xiaoping's health, but once he dies, China will have no second such Deng.** Third, the external environment will not permit it. Present international conditions differ from those prior to the dissolution of the Soviet Union and Eastern Europe. If the Chinese communists take this path again, they may become the world's public enemy number one.

*Small chance for survival of Chinese communists' political power*

Zhou Duo's analysis is that the political power of the Chinese communists has little chance to survive.

Although the 14th Plenum of the CPC advocated the line of a "socialist market economy," it actually did not solve the issue of "where will China go?" Just like Zhou Duo, many Beijing intellectuals wonder about the stability of the political power of the CPC. Politely stated, "under present world conditions, will there be another plenum?" Radically said, "Jiang Zemin gave a report while blustering and bluffing. He actually was trembling with fear. Who knows when the CPC will collapse!"

In my interviews, I had a lot of contact with mainland journalists. These journalists selected and approved to cover the 14th Plenum ought to be those most trusted by the CPC. Although I readily chatted with them, we did not speak in depth, yet I had the feeling that they generally had doubts about the CPC's political power. They did not even conceal their opinions.

It is said that some old CPC comrades feel pessimistic about the future. They believe that **once Deng passes away, various dissatisfied factions suppressed by Deng will break out.** Democrats, old expelled comrades, all kinds of factions will ooze out. There will be power and interest struggles from Beijing on down. They fear foreign intervention and the carving up of China. They believe that once the fighting begins, each faction will seek backers, for example the democrats will look to the West, Manchuria to Korea and Japan, Fujian will rely on Taiwan, and Guangdong will be closer to Hong Kong. If the fighting is less serious, there will be regionalism. If it is more serious, then warlords will tangle. These old folks say, "there are traitors to China everywhere now."

*What will happen to China when Deng Xiaoping dies?*

Actually, many people on the mainland privately discuss what will happen to China when Deng dies. Discussions include political change, local autonomy, Hong Kongization, and a federal system. Zhou Duo believes that democratization is a necessary force, but there definitely will be upheavals in the process. "Disorder will come. I only hope that it does not go on too long and drawn out."

As for the mainland's present economic gale, everyone knows in their hearts that it is a capitalist wind, regardless of whether the highest levels of the CPC call it a struggle between socialism and capitalism. A peaceful evolution is playing its role. The so-called socialism only is camouflage. You know it, I know it, everyone knows it. There is a tacit understanding. A Singapore reporter said, "Socialism is but sheeps clothing. Communists have to wear it."

It is hard for reporters from abroad to understand the mainland's emperor's new clothes style of micro-politics. These reporters always want to ask for clarification. At an official meeting for journalists, everyone vigorously pursued the question of what is what Chinese Communist officials knock their heads to repeat ad nauseum, "Chinese-style socialism." Independent visiting scholars will hint as to what it may develop into.

*It is not good for anyone to speak too clearly*

Once after I vigorously pursued questions from a major economist, his wife said, why is it you Hong Kong reporters have to ask so clearly? This is not good for anyone.

Some intellectuals say, why is it that you foreigners still nag when we have settled the debate of socialist versus capitalist?

This intentional blur of political goals is an obvious example of political wisdom, advantageous to elastic changes in contemporary political operations. Still, in a deeper sense, is this not a traditional Chinese way of acting perfunctorily in troubled times?

It is the same with the June 4th incident. It appears that everyone has easily forgotten it. But while eating in a restaurant, a friend in Beijing pointed to a room full of talking, beautiful men and women laughing and eating said, "You mistakenly think they have forgotten. They haven't. They have just buried it in their hearts. It is not that they do not want to speak, it is just that the time is not right."

**Counter Strategies for Diminished CPC Power in Rural Areas**

93CM0141A Beijing DANGXIAO LUNTAN [PARTY SCHOOL TRIBUNE] in Chinese  
No 11, 5 Nov 92 pp 58-61

[Article by Wang Shulin (3769 2885 2651), Political Research Office, Funing County Party Committee,

Jiangsu Province: "Changing Rural Social Forces and CPC Rural Political Policies"]

[Text] Far-reaching changes have occurred in China's rural society in the ten-plus years of reform and opening up. Contention and intricate combinations of various social forces have complicated and diversified the social structure and posed new problems for the implementation of the Party's line, programs, and policies for rural society. In order to understand the changing social forces in rural China, we have carried out a study of rural society.

**I. The Basic Characteristics of Changes in Rural Social Forces**

1. The party and the government, which have always been the most powerful elements in rural society, are growing weaker by the day. Following the founding of the republic, rural party and government organs were established at every level. Their roles in rural society were greatly strengthened, and they became the most powerful forces in the countryside. Simultaneously, all other forces ceased to be of decisive importance. After the 3rd Plenary Session of the 11th Central Committee, reforms aimed primarily at implementing the household contract responsibility system with compensation linked to production brought changes to the highly centralized control exercised by party and government organs: 1) Their ability to affect the behavior of rural residents was weakened. People no longer respond as enthusiastically or actively to their appeals as before. Some rural policies can only be implemented by resort to administrative, economic, and even legal measures. Grassroots rural cadres everywhere suffer from "the four fears," namely: "big stomachs" (family planning), "carrying a big spade" (water conservancy projects), "the two big handovers" (collecting agricultural products called for in state and collective procurement plans, and collecting taxes), and "encouraging burning" (the reform which encourages people to cremate their dead). 2) The decisions they take to resolve civil disputes carry less weight than before. Party and government organs once had absolute authority to resolve and mediate all types of civil disputes. In recent years, grassroots party and government organs in some localities have become almost paralyzed or semi-paralyzed. There are even some places where more than half of the peasant organizations exist in name only, or have passed out of existence in name as well as fact. This has created a serious challenge to the authority of rural grassroots organs. Peasants are beginning to turn to courts or other main social forces to seek redress for grievances. 3) The economic resources of social service agencies have shrunk. Party and government organs are no longer able to shoulder the burden of various social services, so they are beginning transfer these responsibilities to various economic organizations, are imposing levies directly upon the people, or are soliciting donations from society at large.

2. Economic organizations and scientific and technological organizations are sharing political power. Prior to

the implementation of the contracting system in the countryside, a management system was practiced in which the party, the government, and economic organizations were all combined together. All political power belonged to party and government organs, while economic organizations basically lacked the ability to develop. Since implementation in the countryside of the contract responsibility system with compensation linked to output, and especially in the last few years, township enterprises have been popping up like mushrooms after a spring rain, and various scientific and technological organizations have been established and expanded. They are now sharing political power with party and government organs. Two situations have arisen. First, township enterprises are growing more developed every day and are very attractive to peasants. Almost one-half of all surplus agricultural labor is at work in township enterprises. Even in economically underdeveloped areas, township enterprises are developing rapidly and absorbing surplus labor. Not only are township enterprises becoming the avenue by which peasants attain wealth, but they are also becoming the organizations to which peasants turn to protect their interests. Second, there are very active scientific and technological organizations of all types in the countryside. They have arisen everywhere in response to the quest of peasants for wealth, and their organizational power far exceeds that of party and government organs. Nearly 100,000 associations have been established throughout the country for the study of specialized technology, and they claim over 3 million members. Now that the party's rural economic policies have brought further deregulation, this force will "sweep the plains like a prairie fire."

3. The power of patriarchal clans, religious gangs, and religions, which had once been struggling for survival, is on the rise. 1) The power of kinship ties, with their natural cohesiveness, is on the rise in some villages. People in many places are keeping ancestral records, sprucing up ancestral graves, identifying fellow clan members, and reciting clan histories. Clans play an important role in defending their members, and they regulate their members' behavior. Various battles between armed members of different clans have occurred in recent years. The battles have been getting bigger, and in some cases have been quite brutal. Some clansmen have taken to making generous donations of grain or money to support the clan's battles or other activities, and some people have donated nearly all their possessions. 2) The power of religious gangs and factions has been growing daily in rural villages. Religious gangs and factions have infiltrated some grassroots government organs in the villages. Some localities have even seen the emergence of a two-shelled structure among religious groups; one layer serves as a type of "maintenance committee" which deals with the party committee and the government, while another secret layer serves as the iron-fisted political power behind the scenes. This has created a gap in governance between the township and village levels which has left party committees and governments in charge only at the township level and

above. Since the implementation of the land contracting system, some peasants have come to feel they cannot depend on grassroots organs, so they have sought the protection of religious gangs and factions. 3) The power of religion, mainly Protestant Christianity, has grown by leaps and bounds. Religious belief has become extremely popular in rural villages. It has changed from its former secrecy to openness. Before there were no meeting places, but now they are building churches. Believers used to be mainly old people and women, but now there are many young people. According to a survey in a northern Jiangsu country, the number of believers multiplied by a factor of 13.3, from 1500 to over 20,000 people, in the 12 short years from 1979 to 1991, and 35 percent of them are young people. At first, believers did not participate much in public affairs, and most of them were old people and women, but now in some areas religion is beginning to have an impact as an organized force upon societal affairs. Believers are beginning to participate in activities beyond the scope of religion. Some scofflaws have taken advantage of disputes between religious believers and local party and government organs to sow discord.

## II. Causes of Changes in Rural Social Forces

The results of our study indicates that of the many causes of changes in rural social forces, four are principal.

1. Reform of rural relations of production have forced peasants to go to new forces for protection. In the past, China had always run a highly organized social management system in the countryside which consisted of communes, production brigades, and production teams. This made it so the collective tightly oversaw and restricted peasants, who basically lost any possibility of developing themselves independently. The collective used two methods of restricting individual development by peasants. 1) They eliminated the production function of households. Peasants shared equal status as they took part in the collective's production activities. Except for some small farming tools, the collective controlled almost all the means of production. Kinship ties were pared down to an extremely small circle, making it impossible to reconcile various social relationships with production. 2) Equalitarianism with respect to income distribution took no account of individual differences in talent, technical knowledge, and general education. This limited the development of individual members' talents. The big rice bowl replaced the principle of "to each according to his work." The initiative of the peasants was suppressed, and the countryside for a long time languished in a monolithic backwardness. The implementation of the contract responsibility system with compensation linked to production spurred development in the countryside. First, peasants came into possession of the necessary means of production and gained autonomy over their own production activities. They became independent commodity producers with the ability to develop themselves. The most fundamental social unit—the household—embarked on a course of self-development. Now that peasants have gained

autonomy over their production activities, the problem is that peasants individually have very little power. The social service function of party and government organs is unsound, so they have to turn to other social forces for protection from the natural and social risks associated with their production and business activities. Second, since the elimination of the big rice bowl, the differing abilities of peasants have manifested themselves in production and income, and peasants have taken advantage of opportunities to join various economic organs. Peasants from different social strata will organize themselves spontaneously and seek to preserve the interests of their own stratum, but when different social strata develop independently of each other, the inevitable result will be unprecedented diversity in China's rural social forces.

2. The weakening of rural grassroots party and government organs and inappropriate work methods have accelerated the division of social forces into smaller units. In the past, party and government organs were practically the only cohesive force in rural society. They could use any measure to exercise highly centralized management over peasants. After peasant households took responsibility for their own production activities, village cadres on the one hand had to take part in household production activities. They paid less attention to public affairs, and some cadres paid no attention at all. Even among those cadres who still paid attention to public duties, a high percentage of them continue to resort to administrative orders as before. They very seldom carry out political-ideological education work among the peasants or provide guidance and services, so they are even less effective in their work than before. At the same time, rural grassroots cadres are not subject to effective restraints, either, and their own quality is not high. Some go all out to get rich, contracting for collective business activities at artificially depressed contract prices. Some violate building regulations, occupying crop land or taking bigger lots than allowed. Some violate birth control policy, having more children than they are allowed. Some abuse their power, eating and drinking at public expense, embezzling and pilfering, breaking the law and violating discipline. In some places, particularly less economically developed areas, a large percentage of rural grassroots organs have practically become paralyzed, creating a leadership vacuum. Under these circumstances, the tendency of peasants to rely upon party and government organs will surely weaken, and the prestige of party and government organs will weaken. Some people among the masses have the following attitude toward grassroots cadres: "I've got enough to eat and drink, so I don't need you; you don't criticize or struggle me, so I'm not afraid of you." At the same time, other social forces are accelerating their own development in the margins beyond the reach of party and government organs. In one sense they make up for the lack of variety in the measures used by party and government organs, and in another sense they are coming into various types of conflict with party and government organs.

3. Economic interests are driving a reconstitution of rural social forces. The development of the commodity economy, changes in rural industrial structure, and expanded interchange between urban and rural areas have spurred greater rural social diversity. First, the tremendous energy devoted by peasants to the search for wealth has caused non-agricultural rural industry to develop rapidly. Apart from the peasants who have gone into business for themselves, a considerable percentage of peasants have poured into township enterprises and large- and medium-sized cities. Township enterprises and new labor-absorbing organizations have given peasants a new source of support. Even peasants who have continued farming have diversified their production and business operations. Because the production skills of the past are no longer adequate for today's needs, they anxiously hope to obtain new production technology and business know-how. Various types of scientific and technological organizations are very attractive to peasants. The greater diversity of employment among peasants has led to sharp income disparities; there are nouveau riche as well as especially poor households. Peasants in different social strata are exhibiting more and more differences in concepts, ideas, and even values and behavior. This will inevitably lead to a split in political power. The highly centralized power of the past will inevitably come to be shared with economic and technological organizations, and the original social order is being replaced by a new one.

4. Inappropriate use of the media and the spread of a culture of evil have spurred the resurgence of old forces. For a time, the news media had an inappropriate slant, the ideology of bourgeois liberalization was having some impact, and some negative, barren types of culture had captured beachheads in the countryside. These phenomena spurred a resurgence of old forces. First, the clan mentality picked up strength among peasants. A clan represents the systematization of kinship ties. The clan has historically been a fundamental force which provided support, protection, and membership in a social group. Since the implementation of the contract responsibility system with compensation linked to production, peasants have carried out their business as separate households. When faced with adversity, they think first of their relatives. It was normal that such contact should become frequent. The spread of traditional culture strengthened the role of the clan in maintaining order within the clan and protecting clan members, however. When there is conflict between clan law and the laws of the state, or between clan interests and those of the state or the collective, friction, and even disputes, easily arise between the clan and other social forces. Second, in rural society, when party and government organs fail for lack of ability to provide correct ideological guidance, some people with relatively low social status and little ability to participate in the affairs of society will inevitably seek solace in religion and will satisfy their desire for participation and social contact by taking part in religious activities. There is no lack of less-than-devout church

members who are relatively knowledgeable about religion, however, and try to rely upon the power of their church to take part in managing the affairs of society. They sometimes even hope to achieve private aims or the aims of a small group. Third, the traditional swearing of oaths of allegiance between "blood brothers" is very prevalent in the countryside and is an extremely favorable circumstance for religious gangs and religious factions. Martial arts movies were recently very popular in theaters and on television. Even as these movies publicized the finest points of Chinese martial arts, they also filled the minds of peasants with the corrupt ideology under which people swore oaths of allegiance and formed factions. A culture of evil rose up in opposition to socialist culture. This unquestionably enhanced the prestige of religious gangs and religious factions and induced some gangs to dare oppose party and government organs openly.

### III. Political Strategies the Communist Party Should Adopt in Rural Areas at this Juncture

Faced with changed rural social forces, the Communist Party should adopt counter strategies in order to better exercise the party's leadership in rural villages.

1. We must strengthen rural grassroots party and government organs and assure the core leadership position of the party in rural areas. Issues related to rural areas and peasants have always been of fundamental concern to the Communist Party. They determine the success or failure of any undertaking led by the party. Thus, faced with changed relations of production and social forces in the countryside, we must strengthen rural grassroots party and government organs (in particular, we must build grassroots Party organs into the leadership core in rural villages) if we are to assure that party and government organs continue to remain the most powerful social forces.

2. We must actively support and develop rural scientific and technological as well as cooperative economic organizations, and we must fully take advantage of their role in spurring rural social and economic progress. Scientific and technological as well as cooperative economic organizations, overall, are positive and progressive forces in rural society. They bring together knowledgeable peasants and represent the future direction of development in rural society. Rural scientific and technological mass organizations are important social forces pushing for socialist modernization as well as reform and opening up in the countryside. At present, these forces need the active support of party and government organs. Rural cooperative economic organizations, such as township enterprises and specialized cooperatives, have brought cohesiveness to the great majority of peasants. They are the main representatives of the forces of production in rural society, and they embody the direction of future development of rural society. Their combination with rural party and government organs will result in the strongest social force of all. We must work hard to get party and government organs and rural cooperative

organizations to support each other and become interpenetrating in order to promote progress and development in rural society.

3. We must call for development of an active mass organization to check the power of clans, religions, and religious gangs. The party should adopt a guidance, management, and control program for currently existing clans, religions, and religious gangs. With regard to religion, any legal religious organization should be protected. Illegal organizations which spread malicious lies, cheat people out of their money, and use proselytizing activities to engage in feudal superstitious activities must be broken up, and we should persuade people to cease illegal activities. With regard to clans, we should allow them to carry out charitable activities and exert their beneficial cohesive force upon society. When they use clan power to set up in opposition to party and government organs, seize leadership in rural areas, and even engage in armed battles, we must resolutely stamp them out. As for religious gangs, we must eliminate them. While carrying out these measures of guidance, management, and control, we must also call for the development of active mass organizations. Rural party and government organs should actively support those mass groups which enable peasants to participate in healthy and beneficial activities. Such organizations include the Peasants Public Affairs Association, the Woman's Anti-Gambling Association, the Red and White Board, the Association of Individual Entrepreneurs, the Youth Home, and the Peasants' Home. This will help us effectively curb the development of clans, religions, and religious gangs.

### Party Work Needs to Support Production Management

93CM0145A Beijing SIXIANG ZHENGZHI  
GONGZUO YANJIU [RESEARCH IN  
IDEOLOGICAL-POLITICAL  
WORK in Chinese No 13, 8 Dec 92 pp 4-6

[Article by Yu Yunyao (5713 0061 5069): "Party Work Needs to Support Production Management"]

[Text] Comrade Jiang Zemin stated in his report to the 14th Party Congress that "enterprises under the ownership of the whole people must fully bring into play the role of Party organizations as the political core, adhere to and perfect the factory head responsibility system, and rely with full confidence upon the working class." The party constitution from the 14th Party Congress stipulates that "grassroots party organs in enterprises under the ownership of the whole people must serve as a political core and support production management in their work. They must assure and oversee the implementation of the party's and the state's programs and policies in their enterprises. They must help the factory head (manager) carry out the functions of his or her office in accordance with the law, and adhere to and perfect the factory head responsibility system. They must rely upon the masses of workers and staff with full confidence, and



help to carry out the work of the Congress of Workers and Staff. They must participate in the enterprise's major policy decisions. They must strengthen party organization and provide leadership for ideological-political work, labor unions, and the Communist Youth League." The report to the 14th Party Congress and the regulations in the party constitution regarding the position, function, and duties of the enterprise party organ represent a summation of party work in the enterprise. They will guide our efforts to further strengthen and reform the work of enterprise party organs.

The arduous tasks of changing the enterprise management mechanism and developing a socialist market economy have presented enterprise party work with many new situations and problems. We must have the courage to explore, seek improvement, and blaze a new trail as we go. We need to focus on the following problems:

**First, we must consider it an important political responsibility of enterprise party organs to implement the Enterprise Law and the Regulations Governing the Switch to a New Management Mechanism in Enterprises Under the Ownership of the Whole People.**

Switching to a new enterprise management mechanism and pushing enterprises toward the marketplace are central to the effort to establish a socialist market economy. The Enterprise Law and the recently promulgated Regulations Governing the Switch to a New Management Mechanism in Enterprises Under the Ownership of the Whole People represent a summation of the last 10-plus years of reform experience, and they have provided the effort to further reform with direction and a goal. They have provided a legal basis and support to our efforts to make enterprises truly become legal person entities and participants in market competition which possess managerial autonomy, take responsibility for their own profits and losses, develop themselves, and discipline themselves. It is an important political responsibility of enterprise party organs to earnestly implement the aforementioned "Enterprise Law" and "Regulations," help enterprises to make the transition to a new economic system by strengthening and reforming enterprise party work, and assure the smooth progress of reform.

Enterprise party organs must aggressively participate in enterprise reform and stand in the front ranks of reform. Many enterprise party organs have hit upon a lot of success. There are many examples. They have worked closely with enterprise administrative leaders and taken joint responsibility for leading reform. They have helped factory heads (managers) to carry out their duties in accordance with the law, made difficult aspects as the focus of enterprise Party work, and taken the initiative to cooperate with the factory head in resolving these problems. They have participated in major enterprise policy decisions, participated in the study, formulation, and implementation of reform programs, and overseen implementation within the enterprise of the party's and

the state's programs and policies. They have strengthened ideological-political work among workers and staff, fully tapped the enthusiasm, initiative, and creativity of the masses of workers and staff, and enabled the working class to play its role as the main force for reform. They have done a good job of educating and investigating enterprise management personnel, and aggressively recommended outstanding talent for leadership posts at every level. They have strengthened the education, management, and oversight of party members, and fully tapped the role of Communist Party members as vanguards and models. Finally, they have coordinated relations between administrative leaders and various other bodies, including the Congress of Workers and Staff, labor unions, and the Communist Youth League. Practice has proven that if we are to do a good job of implementing the Enterprise Law and the Regulations, it means that the responsibilities of enterprise party organs will be heavier, not lighter, and that demands upon them to fulfill their duties will be even more exacting, not less so.

**Second, we must resolutely adhere to the "spirit of the three phrases" as we work to bring internal enterprise relations into balance and bring about a synergy among those working to run enterprises well.**

The central leadership has time and again reiterated three phrases regarded the enterprise leadership system, to wit: "Practice has proven that we must fully bring into play the role of party organizations as the political core, adhere to and perfect the factory head responsibility system, and rely with full confidence upon the working class." Practice has proven that these phrases represent a correct summation of many years of experience with the enterprise leadership system, and that these phrases are appropriate for conditions in China. In his speech to the 14th Party Congress, comrade Jiang Zemin gave voice once again to these "three phrases." Fully understanding and implementing the spirit of these "three phrases" is an important aspect of internal enterprise reform as well as a reliable guarantee that every aspect of the reforms will be smoothly carried out.

If we are to develop a socialist market economy and carry out large-scale socialized production, we must establish a rigorous responsibility system with unified command and administrative authority. We must resolutely insist that the factory head, as the legal person representative of the enterprise, take sole responsibility for, and exercise across-the-board leadership in, the following areas: directing enterprise production, managing business operations, and developing new technologies. The factory head responsibility system must also be perfected, of course, but this can only be gradually achieved during the course of enterprise reform. At the same time, we must take note of the fact that our enterprises have party organs to serve as the political core, and they have party members to serve as the vanguard and models. This is an important advantage. Fully bringing into play the role of party organs and

party members will provide strong support for the factory head responsibility system. We must also be aware that it is in the fundamental nature of socialist enterprises to put full confidence in the working class and fully bring into play the sense of being master of the house that exists among workers and staff. Combining the factory head responsibility system with democratic management by workers and staff is a significant characteristic of China's enterprise leadership system.

In short, the "three phrases" constitute an organic whole. They are mutually complementary, and each is useless without the others. The duties of the party, the government, and workers within an enterprise are not entirely the same, but they share the common goal of properly running a socialist enterprise. If we are to fully implement the spirit of the "three phrases," we must rely upon the party nature of the enterprise, and upon the system. Relying on party nature means that an enterprise's party personnel, government personnel, and workers should all put top priority on the big picture. Their basic goal should be to improve enterprise quality and economic benefits, strengthen enterprise vitality, and do a good job of establishing a socialist spiritual and material civilization. They must support each other and work closely together. Relying on the system implies the need (after having clarified everyone's duties) to gradually establish and improve a work system and related regulations. Each person should carry out his duties and work toward the same goals.

**Third, we must assure and oversee the implementation of the party's and the state's programs and policies.**

The duty of enterprise party organs to assure and oversee implementation of programs and policies is an important aspect of the enterprise self-disciplinary mechanism. It is absolutely necessary if the enterprise is to be run well. Whether the party organ carries out this oversight, and how well it does it, directly affects enterprise development and the achievement of various tasks. It must be acknowledged that when enterprise party organs relinquished their former responsibility for all administrative affairs and switched to their new oversight function, ideological concepts and work methods all underwent great changes. It is no easy task to understand this change and correctly identify the position of the enterprise party organ within the new system. In the experience of some enterprises, there are two areas in which enterprise party organs need to do a good job of oversight. First, they must actively offer their views and suggestions regarding broad issues affecting the basic policies of the enterprise. Two prerequisites must be fulfilled before party organs take this sort of active participation, though. One is that they must have a keen sense of responsibility toward the state, the enterprise, and the workers and staff of the enterprise. The other is that they must fully respect and trust the factory head, and sincerely and unflinchingly supporting him as he carries out his duties in accordance with the law. When the first signs appear that an enterprise is in violation of the party's or the state's programs or policies, the party organ must promptly persuade or

criticize the responsible administrative official, and when necessary they should report the situation to their superiors. Only in this way can they better guide enterprises to develop in a healthy manner and in the proper direction. Second, they must support the goals of the enterprise while always keeping in sight the major issues related to enterprise reform and production management. They assure that the decrees of the factory head be carried out unimpeded. To achieve this, they must vigorously pursue ideological-political work and work with the masses, and they must tap the role of party organs as the vanguard and model roles of party members. This type of oversight is not passive but proactive. This type of oversight can induce unity, synergy, and efficiency.

The concrete steps needed to carry out the oversight function may vary from one factory to the next. Many enterprises are actively exploring new ways of doing things and have accumulated much valuable experience. Party organs must carry out oversight in a manner appropriate to local conditions. They must gradually establish necessary systems and resolutely handle affairs in accordance with regulations and procedures. Oversight is not individual oversight of the factory head by the party secretary; the role of the organization must be brought into play, and the great masses of party members must be mobilized to take part. The factory head who is a member of the party must take it upon himself to strengthen his party nature and concept of the organization, and he must willingly accept the oversight of the party organ and the masses.

**Fourth, the party organ must help the factory head carry out his duties in accordance with the law, and it must actively participate in the enterprise's major policy decisions.**

As the legal person representative, the factory head must make major policy decisions regarding the enterprise's production and business activities. Many factory heads take great pains to carry out policy making in a scientific, democratic, and efficient manner, doing all they can to avoid or reduce mistakes and draw upon the collective wisdom of the masses. They are good at listening to opinions on all sides of an issue, including the opinions of administrative leaders and various "brain trusts" as well as those of the party organ and the great masses of workers and staff. The enterprise party organ must support bold decisions taken by the factory head and have the courage to take final responsibility for decisions. At the same time, they must also take part in major policy decisions, provide the factory head with ideas, and take obstacles out of his way.

When taking part in major policy decisions, enterprise party organs can do whatever local conditions demand, since circumstances differ from one enterprise to the next. In accordance with the regulations in the Enterprise Law, there are three types of issues which are of major significance to enterprises. 1) The first type includes major issues related to production, business

activities, income distribution, and management work, such as: the enterprise's long-term and annual plans; proposals for major capital expenditures and technology upgrades; training plans; wage readjustment proposals; proposals on how to distribute or use retained funds; proposals regarding the contract or leased management responsibility systems; any proposal to list wages in the books as an operating expense; establishment or readjustment of new organs within the enterprise; and the formulation, amendment, or elimination of the enterprise's rules and regulations. 2) The second type includes major issues related to the enterprise's cadres or personnel work, such as: the hiring, firing, reward, and discipline of mid-level administrative cadres; the hiring, firing, reward, and discipline of administrative leaders at the rank of deputy factory head; etc. 3) The third type involves major issues which are submitted to the decision of the Congress of Workers and Staff, including: the democratic evaluation and oversight of every level of enterprise leadership; proposals regarding the use of worker and staff benefit funds; and proposals regarding protection of the enterprise's work force.

How does the enterprise party organ take part in policy making? Experience at some enterprises where this has been done with relative success indicates that we must pay attention to the following points: First, the members of the enterprise party committee must be more aware of the need to participate. They must frequent the front line of production as well as various related departments and keep well aware of the situation with the enterprise's production and business operations as well as the ideological state of the workers and staff. Second, there must be a system which guarantees the ability of the members of the enterprise party to participate in policy making. Some enterprises have set up "chat sessions" for party, administrative, and labor union personnel. Some enterprises insist that the factory head make regularly scheduled reports to the party committee. Some enterprises, when discussing production and business operation issues, invite responsible personnel from the party committee to participate, thereby creating conditions which enable the party committee to participate in major enterprise policy decisions. Third, enterprise party organs must work to improve the quality of their participation in policy making. Many members of enterprise party organs have not only had the courage to express their opinions, but their contributions have been very much to the point. Enterprise party workers, and especially the party secretary, must have a sophisticated grasp of theory and policy, and they must also understand the enterprise's production and business activities.

**Fifth, we must educate party members to serve as the vanguard and as models in the process of reform as well as in production and business operations.**

Comrade Jiang Zemin stated in his report to the 14th Party Congress, "We must work hard to strengthen and improve education and management of party members. We must improve their quality, strengthen their party nature, and enable them to become advanced elements

who resolutely carry out the basic party line, devote themselves to the task of reform, opening up, and modernization, sincerely seek to advance the interests of the people, and lead the masses in the effort to achieve economic development and social progress." In accordance with this requirement, Communist Party members within the enterprise should take the lead in reform. In the effort to change the enterprise operating mechanism and accelerate the transition to a new economic system, they need to liberate thinking, seek truth from facts, and dare to try new things. They need to become models who demonstrate the courage to carry out reform and create new things. They should work hard to study the theory behind the effort to establish socialism with Chinese characteristics. They should study and understand modern science, technology, and management methods. They should continually improve their skills in order to score achievements of the highest order in their work. They should serve as the backbone at every work assignment in the enterprise, and become models who are both red and expert. They should inculcate the correct concept of interests among the people, and correctly handle the relationship between state, collective, and individual interests. They should insist that the interests of the party and the people take precedence over all others, and that individual interests serve those of the party and the people. When a conflict arises, they should remind people of the need to sacrifice and suffer first and put off enjoyment until later. They must become models who keep the big picture in mind. They should aggressively publicize the party's programs and policies, do a good job of educating those about them in matters related to ideology and politics, and unite the broad masses of workers and staff behind reform. They should become models who demonstrate the proper way to work closely with the masses. Party members should be allowed to know in advance about major issues in the enterprise involving reform, production, and business operations so that the party can first mobilize internally. This would enhance the feeling among party members that they are charged with serious responsibilities on the job and in politics.

**Sixth, we must closely combine enterprise reform with production and business operations, and enhance and improve ideological-political work.**

The task of furthering reform cries out for us to strengthen ideological-political work. It requires that ideological-political work help people to liberate thinking, bring their concepts up to date, work out conflicts, bring emotions into balance, and bring into play the enthusiasm of the broad masses of workers and staff. It is an important responsibility of enterprise party organs to lead ideological-political work.

Currently, the most important task for enterprise ideological-political work is to ideologically arm the broad masses of workers and staff with comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. We must make workers, staff, and the masses realize that reform will affect the future of the nation and

is intimately linked to the immediate interests of every individual so that they will understand and support reform and struggle for their own interests. The fundamental objective of enterprise ideological-political work is to spur the broad masses of workers and staff to enthusiastically and actively push for reform and development of the enterprise.

Enterprise ideological-political work must be strengthened and improved upon. We should fully affirm the role of ideological-political work and political cadres in the enterprise, but we must also be aware that faced with today's new situation and new tasks, ideological-political work must itself be reformed. For example, ideological-political work must more actively and efficiently serve the cause of economic work. Ideological-political workers must diligently acquire the skills that will enable them to closely combine their own work with economic work. We must stop relying solely on a small number of specialized party, government, and labor union cadres to carry out ideological-political work, and start to mobilize and organize Party and Communist Youth League members, team and group leaders, advanced elements, and activists to get involved, thereby reaching a larger number of people with our ideological-political work. We must resolutely eliminate problems in ideological-political work arising from formalism, such as going through the motions and treating everything with a broad brush. We must make ideological-political work more attractive, persuasive, and powerful. Cadres involved in political work must continually improve their quality and lead the way in liberating thought and changing concepts. They must have the courage to carry through with reform. In short, in order to adapt to the requirements that accompany the effort to further reform, ideological-political work must establish a good mechanism oriented to the achievement of success in economic work. New patterns of thought, new methods, and new systems for our work must gradually come into being. Comrades involved in ideological-political work and administrative managers will have to aggressively explore new ways of doing things and continually sum up experience if all these things are to be achieved.

**Seventh, we must place full confidence in the broad masses of workers and staff, support the work of the Congress of Workers and Staff, and enhance our leadership of labor unions and the Communist Youth League.**

In the final analysis, if we are to implement the Enterprise Law and the Regulations and further enterprise reform, we must rely on the broad masses of workers and staff. There is much work to be done if we are to thoroughly implement the policy of placing full confidence in the working class. First, party organs must educate leading enterprise cadres about the need to thoroughly inculcate the ideology of placing full confidence in the working class. They must earnestly implement the authority and democratic management function granted to the Congress of Workers and Staff by the Enterprise Law so that the broad masses of workers and staff will exercise visible and palpable democratic rights

as they carry out democratic management and democratic oversight. They must attach importance to recruiting party members from among workers and staff on the front lines of production, and take into the party highly skilled production workers and those who serve as the backbone in technical, operational, and management aspects of enterprise work. They must select the most talented people through a process of open competition. People with a lot of experience and good managerial aptitude who enjoy a strong reputation among the masses must be placed in leadership positions. We must break down the barrier between cadres and workers. Party and political leaders and labor union organizations must show concern the lives of workers, be attentive to the pleas of the masses, use every means possible to provide real services to workers and staff, and help to solve their problems.

Enterprise party organs must strengthen their leadership of mass organizations such as labor unions and the Communist Youth League, and support the efforts of such organizations to independently carry out their work in accordance with their own rules and regulations. By making use of the linkages provided by these organizations, enterprise party organs should establish closer relations between party leaders and workers.

**Eighth, we must adapt to new conditions and continually carry out reform in which enterprise party organs build themselves up.**

In order to adapt to the switch to a new enterprise operating mechanism, the organization, work methods, and activities of enterprise party organs must go through corresponding reforms. Some methods which have been effective in the past should continue to be used in a manner which takes the new conditions into account. At the same time, we must work hard to create new methods and sum up new experiences.

The enterprise party committee leadership must show more initiative and resolution in carrying out the fundamental party line. They must be knowledgeable about economic work and understand production and business operations. Leading administrative cadres who understand production and business operations must come to account for an increased ratio of the membership of the enterprise party committee. Members of the enterprise party committee could, where appropriate, switch jobs with leading administrative cadres, or share duties with them. Where a particular cadre is sufficiently qualified, and party members are in favor, a single person could serve concurrently as factory head and party secretary, but we cannot prescribe this indiscriminately.

Looking at current enterprise conditions, it is apparent that we need to keep a certain number of working departments and highly qualified personnel to carry out enterprise party work and ideological-political work. We cannot allow necessary readjustments and cutbacks to evolve into a lessening of the party's work, however. These readjustments must be carried out in a stable and

cautious manner, of course, and they should be considered in conjunction with cutbacks of administrative organs. A number of activities carried out by enterprise party organs must be closely coordinated with enterprise reform as well as production and business operations. Such activities include: the party's organizational life; campaigns to encourage workers and staff to strive to make greater contributions to the enterprises; the establishment of cadre responsibility areas; party member goal management; and democratic evaluation of party members. These activities must be continually infused with new content, and our work methods must be more flexible, varied, and interesting. We must concentrate on concrete results.

Foreign-invested enterprises, shareholding enterprises, enterprise groups, township enterprises, and privately run enterprises have all developed very rapidly in recent years. The only exception has been enterprises under the ownership of the whole people. In these rapidly developing enterprises, party organs must be established and must carry out their work in a manner appropriate for the conditions of each individual enterprise. They must explore new ways of doing things and accumulate experience.

If enterprise party work is to be strengthened, enterprise party organs must make a great effort, and higher level party committees and relevant departments must also take some responsibility. They must help enterprises to correctly implement the party's programs and policies, and they must promote enterprise reform and development. In our party work and ideological-political work, we must do more to sum up some typical experiences which many enterprises share in common, and we must spread knowledge about such experiences. We must make less use of compulsory directives, and instead allow enterprises to creatively carry out their work completely in accordance with local conditions and in accordance with the principles and requirements of the party committees in their respective provinces, autonomous regions, and directly administered municipalities.

**Problematic Future of Politburo Member Qiao Shi**  
93CM0157A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 276, 1 Jan 93 pp 50-51

[Article by Lin Wei (2651 5898): "The Enigma of Qiao Shi's Political Future"]

[Text] *While Qiao Shi was once the third highest-ranking Politburo member, holding great power over the public security and procuratorial organs, and people's courts, and accepted by all factions, he has recently lost a number of his key positions. Has he been made a mere figurehead just because he poses a threat to Jiang Zemin? As it would be impossible for Deng Xiaoping not to know of this, why has Deng consented to it?*

Since the "Yang family generals" (Yang Shangkun and Yang Baibing) have lost power, Qiao Shi's political

future has also become an exceptional case. Qiao Shi lost his positions as secretary of the CPC Central Committee's Secretariat and of its Central Discipline Inspection Commission at the 14th CPC Congress, and then recently his position as secretary of the CPC Central Committee's Political and Legal Commission.

**Once a Supremely Arrogant Figure With Great Power**

While Qiao Shi was already a supremely arrogant figure with great power in the CPC superstructure by the time of the 13th CPC Congress in 1987, ranking third in the Politburo after Zhao Ziyang and Li Peng, as he also held great power over the public security and procuratorial organs and the people's courts, and occupied a certain exceptional status above his regular ranking in the Communist organization.

Around the time of the "Beijing Massacre" on 4 June 1989, after Zhao Ziyang's fall from power, it was rumored for a time that Qiao Shi might succeed Zhao as general secretary, with some political and legal organs also pledging loyalty to Qiao. For instance, the Supreme People's Court sent a telegram to CPC Central Committee Politburo Standing Committee Member Qiao Shi on the morning of 4 June 1989, expressing "our absolute endorsement of the Party Central Committee's great decision at this critical moment to quickly crush this revolt; our full support for all steps taken by the State Council and the Central Military Commission to enforce the Central Committee's decision; and our highest tribute to the great numbers of PLA officers and soldiers, military police, and public security cadres and police for their efforts in suppressing this riot." Of course, Zhao Ziyang's successor as secretary general later turned out to be Jiang Zemin, who could be said to have been a dark horse in the running for the job.

Why Qiao Shi did not succeed Zhao Ziyang is still a mystery. He rightfully should have been one who was acceptable to all factions because he had joined the Politburo when Hu Yaobang became secretary general in 1982, and then had become a Politburo Standing Committee Member when Zhao Ziyang became secretary general in 1987, as well as holding concurrent positions as secretary of the Central Discipline Inspection and Political and Legal commissions. In addition to showing a certain reform mindset, he was also acceptable to conservative elders Chen Yun and Peng Zhen (who had preceded Qiao Shi as secretaries of the Central Discipline Inspection and Political and Legal commissions, respectively). It was perhaps because in the deciding whether to put down the democracy movement, Politburo Standing Committee Member Qiao Shi abstained from voting, unlike Li Peng and Yao Yilin who took hardline positions, and Jiang Zemin who took a clearcut stand by shutting down Shanghai's SHIJIE JINGJI DAOBAO, that Qiao Shi lost out to Jiang Zemin for the job of secretary general.

### Qiao Shi an Advocate of Deng Xiaoping's Line

But after the reorganization of the 13th Politburo Standing Committee, while Deng Xiaoping made Jiang Zemin its "core," it was said that Deng still had the highest confidence in Qiao Shi and Li Ruihuan, from whom he regularly received reports on coming trends. While Qiao Shi had not "been thorough in exterminating the evil" in the crushing of the democracy movement, Deng Xiaoping probably did not wish to deal with him too harshly, which would have sharpened contradictions and brought on all-out sanctions from Western nations.

When Deng Xiaoping gave his speeches on his tour of southern China in the spring of 1992, Qiao Shi was the only Politburo Standing Committee Member and Yang Shangkun the only Politburo Member to meet face to face with Deng. These two gave even more impetus to Deng Xiaoping's southern-tour speeches. Qiao Shi in particular, on inspection tours everywhere and at the NPC in the spring, not only played up Deng Xiaoping's southern-tour speeches, but even more strongly emphasized their spirit of anti-"leftism." This was something that certain other high-ranking CPC officials, including Jiang Zemin, had painstakingly evaded. This also shows Qiao Shi's loyalty and devotion to Deng Xiaoping.

In April 1992, in his capacity as CPC Central Committee Party School President, Qiao Shi invited Politburo Standing Committee Member and Vice Premier Tian Jiyun to speak at the Party School. In addition to announcing great plans for reform and opening, Tian Jiyun also gave an anti-"leftist" speech that was extremely rare for one in the CPC superstructure, and which caused quite a stir because of its extremely clearcut stand. This was what forced Jiang Zemin in a 9 June speech at the Party School to voice his support for Deng Xiaoping's southern-tour speeches, and to reaffirm Deng's advice to be on guard against the right, but mainly against the "left." As Tian Jiyun's speech had come first, Jiang Zemin's seemed mediocre and uncreative, which was naturally an embarrassment for Jiang.

### Qiao Shi: A Threat to "The Core, Jiang Zemin?"

During the 14th CPC Congress's personnel deliberations, it was rumored for a time that Deng Xiaoping was dissatisfied with Jiang Zemin's "formalism," and it was said that Jiang's general secretary's throne might be insecure, and that Qiao Shi might be elected to replace him. Then it was reported that the party was going to establish a deputy general secretary to enhance its reform and opening, for which position Qiao Shi was a popular candidate. None of these rumors were favorable to Jiang Zemin.

While some of this circulating news might have been rumors, and other parts of it may have been suggestions that were put forth by someone, it all, whether fact or rumor, pushed Qiao Shi into a "confrontational" position with Jiang Zemin.

So Qiao Shi became the "political opponent," or at least a "hypothetical adversary," who posed the greatest threat to Jiang Zemin's political future. This made it impossible for Jiang Zemin to "resign himself to his doom," forcing him to act to defend his throne. In which case, Qiao Shi's loss of his key party positions was very probably due to Jiang Zemin's actions to reduce Qiao to a mere figurehead.

Qiao Shi's most important positions before the 14th CPC Congress were Politburo Standing Committee Member, Secretariat Secretary, Central Discipline Inspection Commission Secretary, and CPC Central Committee Political and Legal Commission Secretary. A consensus had already been reached by the CPC superstructure before the 14th CPC Congress that in addition to the reorganization of party positions, the First Session of the 8th NPC in the spring of 1993 would be the right moment for a changing of the guard, in which Jiang Zemin would replace Yang Shangkun as President of the PRC, Qiao Shi would succeed Wan Li as NPC Standing Committee Chairman, and Li Ruihuan would take over the position of deceased Li Xiannian as CPPCC Chairman. If Qiao Shi were to become NPC Standing Committee Chairman, he would be in charge of legislative work, which would be consistent with his current position as CPC Central Committee Political and Legal Commission Secretary, and which two positions Peng Zhen had also held concurrently. And as the PRC Constitution provides that the NPC is the highest organ of state power, with the NPC Standing Committee as its standing body, Qiao Shi's acquiring of this position would enhance his power and pose another threat to Jiang Zemin.

At the 14th CPC Congress, Qiao Shi's position as Central Discipline Inspection Commission Secretary was taken over by former Minister of Supervision Wei Jianxing, and his position as Secretariat Secretary was taken over by Supreme Court President Ren Jianxin. If these losses are said to not have been a major blow to Qiao Shi's power, his further loss of his position as Political and Legal Commission Secretary to Ren Jianxin has undoubtedly weakened Qiao Shi's power sharply. This is because Qiao Shi kept only a figurehead party position as Politburo Standing Committee Member, with his real power having been divided between Ren Jianxin and Wei Jianxing and, even if he were to become NPC Standing Committee Chairman, the CPC's emphasis on the leadership of the party means that the real power will be in the hands of Political and Legal Commission Secretary Ren Jianxin.

The suggestion that Qiao Shi had too many public duties and could not hold so many positions at once does not hold water either. This is because Jiang Zemin, in addition to being general secretary, also holds concurrent positions as Central Military Commission Chairman, State Military Commission Chairman, and Central Financial and Economic Group President. And as he is going to become President of the PRC too, does this not mean that he is being spread even thinner?

Leaving aside the fact that Ren Jianxin has been under Qiao Shi's direct control, and that Qiao Shi painstakingly nurtured him, Ren Jianxin was still born in 1925, making him only 1 year younger than Qiao Shi, or almost 70. So could not his "succession" at this time be considered a little late?

#### Hidden Instability Variables

In light of the "Yang family generals" fall from power and the new variables in Qiao Shi's official career, the power struggle within the CPC has certainly not been brought to a temporary end by the 14th CPC Congress, but rather is fraught with new instability variables that merit close watching.

Even more noteworthy is that Qiao Shi's loss of certain key positions had to have been both known of and

approved by Deng Xiaoping. This leads to a feeling that in order to preserve political stability and prevent any reversal of the (correct) verdict on the "Beijing Massacre of 4 June 1989" during Deng Xiaoping's lifetime, Deng Xiaoping is giving Jiang Zemin a free hand as the "core" to keep anyone's power from posing any threat to Jiang's position in these next few years.

In light of Qiao Shi's pragmatic gravity, low-key style, and few enemies, as well as his foundation of a decade of Politburo membership, suggesting that his political future has already been forfeited would be going too far. But Jiang Zemin being impatient in dealing with Qiao Shi would also be fraught with hidden dangers because, if Deng Xiaoping dies before Jiang Zemin's power has been consolidated, this might arouse a strong backlash that would pose an even greater threat to Jiang.



## NATIONAL AFFAIRS, POLICY

**CASS Director Li Guoguang on Socialist Market Economy**

93CM0132 Urumqi XINJIANG RIBAO in Chinese  
20 Nov 92 p 4

[Article by Liu Guoguang (0491 0948 0342): "Liu Guoguang in Xinjiang Discusses the Socialist Market Economy;" excerpted from a report delivered during a recent inspection trip to Xinjiang by Li Guoguang, director, Chinese Academy of Social Sciences]

[Text] The theory of a socialist commodity economy is a major breakthrough in our political and economic theory in the 1980's. It was from this foundation that more ground was broken during the 1990's when the theory of a socialist market economy was proposed. These two theories form the theoretical basis for our reforms; consequently they are followed with very great interest everywhere. These two theoretical breakthroughs (naturally, the second theoretical breakthrough is still in the process of being developed) were the result of long practice and theoretical study, and had an important influence on the practice of reform.

Our classical authors, Marx and Engels envisioned that the future socialist economy would no longer be a commodity economy but an economy developed through planning. For a long time, people regarded a plan economy and a commodity economy as being antithetical. They said that a commodity economy is very much taboo, regarding it as a creature of capitalism.

China's socialist economic system was a highly centralized planned economic system founded on nonmarket economy conceptions. This nonmarket economy concept was a natural economy view and a product economy view. This system rejected the role of the market mechanism as being completely incompatible with the commodity economy concept, to say nothing of a market economy. This situation endured for several decades, relaxation occurring only following the Third Plenary Session of the 11th Party Central Committee. At first we stressed the continued existence in the socialist economy of commodity production and commodity exchange. Earlier, this had also been expounded in the works of Stalin on the socialist economy issue, naturally to only a very limited degree. Following the Third Plenary Session of the 11th Party Central Committee, emphasis began to be placed on commodity production and the laws of value, but the concept of a "commodity economy" was still not recognized and accepted. The resolution on "historical issues" in the Sixth Plenary Session of the 11th Party Central Committee referred only to the existence of commodity production and commodity exchange in a socialist economy, the existence of some market regulation beginning to be permitted within the scope of the planned economy. In the report of the 12th Party Congress, for example, the wording was "take the planned economy as the key link and the market

economy as supplementary." Everyone constantly discussed whether a market economy could or could not exist in a socialist society, the controversy becoming very intense. It was not until the Third Plenary Session of the 12th Party Central Committee that a conclusion was reached: A commodity economy exists during the socialist stage. It was in the resolution on economic reform at the Third Plenary Session of the 12th Party Central Committee that a party document formally acknowledged for the first time that a socialist economy is a planned commodity economy founded on public ownership. It related this to Marx's and Engel's previous conception that there would no longer be a commodity economy in the socialism of the future, and it further related it to several decades of practice in socialism, which rejected for a fairly long time this historical background of a commodity economy and market regulation. One might say that the thesis of the Third Plenary Session of the 12th Party Central Committee that a socialist economy is a planned commodity economy based on public ownership has epoch-making significance. It was very important in unifying everybody's understanding of the nature of socialism, and in establishing an orientation for reform of the socialist economic system.

After the Third Plenary Session of the 11th Party Central Committee, some people, including economic theoreticians, were by no means unanimous in their understanding of what constitutes a commodity economy, or what a planned commodity economy encompasses. Some comrades inclined toward emphasis on the commodity economy aspect while others inclined toward emphasis on the planned economy aspect. Several years ago, one well-known professor wrote the following in a treatise: In our reform thinking, socialism is a commodity economy first of all, and only secondarily a commodity economy whose development is planned. He placed the emphasis on the "commodity economy" without denying the "plan" part. At the same time, another professor published an article that said as follows: Either a planned economy or planned regulation should be preeminent in a socialist economy. He put the emphasis on the plan economy aspect rather than on the commodity economy. This difference in emphasis can also make a difference in understanding the character and nature of socialism. There is also another view, namely that there is no need to stress which is primary and which is supplementary, plan or market. All that is needed is a combination of the two or a unification of the two. The degree to which they should be linked varies with the product, the sector, the ownership system, and the region. In 1989, the idea of combining a planned economy with market regulation was proposed, and this has been our policy right up to the present time.

Subsequently, discussion gradually concentrated on two problems, the first being whether China's reform has a market orientation; and the second being whether one can use the term socialist market economy. Discussion of these problems was conducted at the theoretical level. By



the orientation of reform is meant what is the direction of change from the system at the starting point of reform to the system that is the goal of reform? Before reform, ours was a highly centralized planned economic system based on a natural economy and a product economy. This system precluded a market economy. During the course of more than a decade of reform, one might say that we have steadily introduced and expanded the role and scope of the market from consumer goods to the means of production, to some of the key elements of production, including money, information, and real estate. We have also used market regulation to reform our traditional and rather over-controlled planned economy system. In this sense our reform has been toward a market orientation in which the market mechanism has steadily expanded. Can a market economy exist under socialism? Should the goal of reform be a market economy? Actually, discussion of these problems has been about the process on the one hand and the goals on the other. Discussions about market orientation are about the process of reform; they are about whether the orientation of our reforms is toward expansion of the role of the market mechanism. Discussions about the market economy are about goals, meaning whether the market system we ultimately want to set up is a socialist market economy system. The two problems are linked, and there are antithetical points of view about the two problems. One view approves a market orientation in our reform, taking the steady building and expansion of the socialist market economy system as a road of reform. This view regards planning and the market as a method. It regards them as a means of allocating resources rather than as an institutional issue. The other view opposes regarding our reforms as a market orientation reform, and it also opposes the socialist market economy concept. Essentially, this view regards planning and the market as an institutional issue. It maintains that a planned economy is socialist and that a market economy is capitalist. It is an issue of socialism versus capitalism. These two views have been discussed in theoretical circles for many years. I will provide a brief account of the views on this issue of some representative theoreticians. In the preface to a book he wrote several years ago, Comrade Ma Hong [7456 3163] said that the planned commodity economy that our reforms seek to establish is an economy that is macroeconomically controlled and in which resources are allocated by the market. So, in this sense, I suppose it might be called a market economy. Speaking to the TEQU SHIBAO [SPECIAL ECONOMIC ZONE TIMES] in early 1991, Comrade Xue Muqiao [5641 2550 2890] said: "Market regulation and a market economy are essentially the same things; neither equates with capitalism. They have to be distinguished in terms of the system of ownership rather than in terms of market and plan." He also said that there can be no forbidden zones for scientific research; free discussion of this issue should be permitted instead of avoiding it. Some comrades suppose, on the basis of having looked it up in a Japanese economics dictionary and having examined United Nations statistical data, that a market economy is an institutional concept and that

market regulation is not the same thing as a market economy. The United Nations divides the economy of all countries into two kinds in which "centrally planned economy" countries are socialist countries and market economy countries are capitalist countries. Since this is the view that westerners hold, why do we want to introduce market economy concepts? Consequently, some people supposed that a market economy is based on private ownership, and that the notion of a socialist market economy is unscientific. Some comrades supposed that only under capitalism does a commodity economy become a market economy. Subsequently, during his travels in south China, Comrade Xiaoping pointed out that a plan economy does not equate with socialism, and a market economy does not equate with capitalism. Plan and market are methods, both of which may be used, plan somewhat more and the market somewhat less, but this is not the hallmark distinguishing socialism from capitalism. Understanding this problem ideologically requires a process. In short, thanks to the inspiration of Comrade Xiaoping's remarks, economic theoreticians broke new ground for a second time in discussion of a market orientation and a market economy. This second ground breaking gave great impetus to, and had a very great effect on development of the socialist commodity economy, and on reform and opening to the outside world during the 1990's.

The foregoing is a discussion of reform and past events; below, I will discuss the problem of understanding the market economy itself. Since there is very much discussion about this today, I am also learning. I will only discuss three problems briefly: The first is why the planned commodity economy we formerly espoused has to be changed to a market economy. The second is inasmuch as planning and the market are both ways of regulating the economy, why change the planned economy to a market economy. The third is since the market economy is not an institutional issue, i.e., it is not an issue of socialism or capitalism, both capitalism and socialism being able to have it, why is it necessary to add the word "socialist" to the phrase "market economy."

The first problem is that the change from a commodity economy to a market economy is not simply a semantic change; it holds profound significance. First, the implications of a commodity economy and a market economy must be clarified. The two are both one and the same thing and not one and the same thing. A commodity economy is relative to a natural economy and a product economy. Is it not so that in their socio-economic activities, people exchange goods of equal value? Is it not for compensation? If it is not at equal value and for compensation, then it is a natural economy and a product economy. A product economy regards all society as a large factory and each enterprise as a workshop, the mutual relationships are only production flow relationships; however, a commodity economy requires compensation at equal value. The view of a market economy as the opposite of a planned economy is in terms of the allocation of resources. Allocation of resources is a new

term with which the broad masses of people in the economics field must become thoroughly familiar. Resources as it applies here does not mean only natural resources, but rather resources that society already holds and that can be distributed such as money, materials, and a work force. Land is a natural resource, but natural resources that have not been developed are not resources. The resources that a society has at any given time are limited. The use of various resources to produce goods to satisfy various kinds of needs is unlimited [as published]. How to use limited manpower, financial, and material resources to satisfy various needs effectively and allocate them in an optimum way is the central problem in economic life. There are only two methods for allocating resources: One is the market method; the other is the plan method. When government draws up command plans and employs planning as the primary way to allocate resources, you have a planned economy. When the market method is the major (or basic) means used, resources being allocated through changes in prices and the law of supply and demand, you have a market economy. A market economy is a better developed form of a commodity economy. Historically, the commodity economy originated a very long time ago. Exchange of commodities began at the end of the primitive commune period. It underwent long development during slave society and feudal society right up to contemporary times. Historically, because of the restrictions that various artificial barriers posed, or because of the unavailability of transportation, the commodity economy could not form a unified market. Manpower, money, and materials could not flow freely and be fairly allocated in the unified market. However, the development of a commodity economy must break these restraints, and the more it develops, the more the commodity economy must become a unified domestic market in which all resources can flow freely, and that extends gradually into international markets. Thus a market economy will take shape. Once a unified domestic market has taken shape, resources will be able to flow freely and be allocated in the unified market. The historical background to the formation of a unified market is simultaneously the historical background to formation of the market economy. Therefore, it is said that a market economy is an outgrowth of high development of the commodity economy. Development of a commodity economy means that the central government and local governments may not impose restrictions; resources must be allowed to be freely and effectively allocated in the unified market. This is the reason development of a commodity economy requires development of a market economy. Our transformation of the commodity economy into a market economy means that the market must gradually become the main way in which resources are allocated. According to the former formulation, the plan commodity economy did not distinguish clearly whether the plan or the market played the main role in the allocation of resources; it could be construed any way. Now that our socialist economy has developed to what it is today through reform and opening to the outside world, the quantity of development alone is not

enough; the structure must be made rational, and returns must be increased. Therefore, the rule of the market mechanism must be brought into play; the market must be used in the allocation of resources to a greater extent. Formerly Shanghai's economic foundation was much better than Guangdong's, but Guangdong's economy developed more rapidly than Shanghai's. This was because Guangdong's market orientation and reform went much deeper than Shanghai's. This is an obvious fact.

The second issue. Since plan and market are both economic means, are both methods for allocating resources, and are both techniques for regulating the economy, and both are to be used simultaneously. So why change the plan economy to a market economy? In order to answer this question, analysis and comparison of the separate strengths and weaknesses, characteristics, and advantages and disadvantages of a market economy and a plan economy are necessary. It is also necessary to look at how they have battled with each other in the course of actual economic development to know just how they have competed on a world scale.

Strengths and weaknesses of a market economy and a plan economy. A market economy is characterized by the allocation of resources according to requirements of the laws of value, meeting changes in the relationship between supply and demand, and bringing into play the operation of the market mechanism. The strength of a market economy lies in the pressure and power brought to bear on enterprises through changes in the levers and through the competition mechanism, which spur the survival of the fittest enterprises, and the allocation of resources and energy to the enterprises making good returns. A plan economy is characterized by the allocation of resources by the government according to a prior plan and administrative directives. Its advantage lies in the concentration of energies to perform major tasks; it has the possibility of effecting coordination for the benefit of the whole. Those who approve a plan economy stress the advantages of a plan economy; those who approve a market economy emphasize the advantages of a market economy. It is very difficult to get the two to agree. In actual life, some people believe that a market economy is wonderful, but some others are extremely fond of a plan economy. We are moving ahead with market orientation reform, but we should not have blind faith in the market.

Since a plan economy and a market economy have their separate advantages and disadvantages, why is it necessary to change from a plan economy to a market economy? This is not a matter of faith as to what method can best improve the economy and attain the three benefits of which Comrade Xiaoping spoke, namely benefit the development of socialist productivity, benefit improvement of the overall national strength of the socialist state, and benefit improvement of the people's standard of living. This is a judgment based on a historical contest of strength. The choice between a plan economy and a market economy is not a matter of

someone declaring one to be better than the other; one cannot simply rely on faith, which is to say one cannot simply look at the matter in "socialist" or "capitalist" terms.

Historically, the formation of a market economy truly spurred large scale development of the capitalist economy. At the same time it also disclosed the contradictions of capitalism, foremost of which are a boom-and-bust cycle and a squandering of social wealth. By the middle of the 19th century, scientific thinking focused on this contradiction of capitalism—the boom-and-bust cycle—coming up with the idea of a planned economy to save social labor and to distribute work time equitably, time being a resource, the distribution of work time as well as the distribution of money, labor, materials, and land being done by plan, thereby checking the shortcomings of the market economy. This thinking was put into practice in the plan economy of the Soviet Union following the October Revolution in the early part of the 20th century, and it was very successful from the 1930's to the 1950's. The former Soviet Union boosted its own heavy industry and national defense industries by relying on its own strength, and withstood the fascist offensive in World War II. Following World War II, its economic strength rose to second place in the world. All of this came through reliance on a plan economy. However, not long after World War II development reached its zenith. Both speed and effectiveness began a gradual decline during the 1960's. Commodities were in short supply, and problems in the people's livelihood remained unsolved for a long period of time. In a system in which only the operation of heavy industry and defense industries was effective, numerous other problems were not solved. Naturally, political mistakes were also made as well, numerous problems appearing in political ideology. In the capitalist world, meanwhile, the crisis in the western economy continued to develop, a major crisis occurring in 1929 with the accompanying unemployment of tens of millions of people. As a result, the capitalist countries began to adopt government intervention in the practice of macroeconomic control. By the time of World War II, allied countries like Japan and Germany were operating a highly centralized controlled economy in which manpower, material, money, capital, and foreign exchange were controlled, i.e., a plan economy. The same was true for other nations involved in the war. After the war, the western countries universally accepted Keynesian macroeconomic control theory, using macroeconomic policies to regulate and control operation of their economies. Some countries even used guidance plans, and quite a few countries adopted social welfare and security policies. In so doing, they remedied past shortcomings and deficiencies. To a certain extent, they also ameliorated the boom-and-bust cycle and social confrontations. As result of this plus some powerful scientific and technical advances, their development continued to have considerable vitality. During this same period, the Soviet Union adhered to all the trappings of the plan economy right up to 1990. When I inspected Soviet factories at that time, management was

still being done in the same old ways. The Soviet Union's so-called taking the market economy road was just a paper exercise at the end of 1990. It did not institute market orientation reforms promptly; instead it continued with a very tightly controlled plan economy with the result that efficiency and standard of living problems could not be solved. Of course, the most basic reason was the abandonment politically of Party leadership and the opening up of ideology. When the CPSU Central Committee disbanded in 1991, no one came forward to speak out. Many people remained indifferent. This shows a very important problem, namely that because economic problems were not solved, the traditional plan economy lost out in its historical contest with a modern market economy.

Following the Third Plenary Session of the 11th Party Central Committee, because we acted promptly to bring order out of chaos, began reform and the opening to the outside world, and conducted market orientation reforms, China's economy was able to move upward steadily. The present is a peaceful era, and the international situation has changed from bipolar to multipolar. Although western capitalist countries regard China as the final thorn in their flesh, they will be unable to concentrate their energies on dealing with us for some years to come inasmuch as they themselves have numerous problems with which they are preoccupied. World hot spots such as Yugoslavia have put them in a very bad fix.

Now that we are in a fairly peaceful climate, we must use market methods to improve our returns, thereby enabling our production to meet the need for constantly improving the people's standard of living. Government should be relied on only for fairly large basic facilities and projects, meaning: things that the market cannot handle or cannot handle well should be handled by the government. Things that the market can do well, and the distribution of resources that the market can do well should be regulated by the market. We are looking after many things today that we should not be looking after while we are still not looking well after many things that we should be looking after. This is a matter that relates to a change in the function of government organs.

The third question is why the word "socialist" is placed ahead of the term "market economy." A market economy has been termed neither socialist nor capitalist, has it not? So why is it necessary to call it a socialist market economy? The laws of value, the law of supply and demand, and the laws of competition are not the same under socialist and capitalist conditions. We must say that what we are building is a market economic system under socialist conditions or a market economy system under the socialist system. It seems to me that there is nothing wrong with so saying. As I see it, to say that a socialist market economy is a market economy under the socialist system is not saying that it is socialist inasmuch as this has to do with its general character and attributes. For example, mankind is a large species in which both the yellow race and the white race are

humans. Enterprises exist under both capitalism and socialism; all that is necessary is that they fit the definition of enterprise. Whether under capitalism or socialism, they are all enterprises. However, we prefer to say that socialist enterprises differ from capitalist enterprises. Some things that share a common substance exhibit themselves in different forms, and exhibit special attributes as well. Therefore, there is no reason why we cannot use the term socialist market economy just as we speak of socialist modernization and socialist enterprises. This is because some of the attributes that a market economy exhibits under socialist conditions are truly different than under capitalist conditions largely because the superstructure and the economic foundation are different. The most important feature of the socialist superstructure is leadership of the party and the people's political power. The most important expression of the economic foundation is the system of public ownership and distribution according to labor. The effect of these two things on the operation of a market economy cannot be ignored. It is only because these two things exist in a socialist market economy that the government can proceed from the overall interest rather than from the interests of interest groups. A capitalist government is influenced by interest groups that are representatives of capitalists. By comparison, a socialist market economy is better able than a capitalist market economy to relate plan and market, to relate microeconomic decontrol and macroeconomic regulation and control, and to relate the stimulation of improvement in returns to the realization of social justice. We have confidence in this because this can be achieved through comprehensive reform. Economic system reform, enterprise mechanism reform, the establishment of market macroeconomic regulation and control methods, and changing of government functions are a large and complex piece of social systems engineering that ramifies into many areas. Every major aspect has several subtopics, and every subtopic has many sub-subtopics. Reform in all these regards requires a market economy orientation. We have been making market orientation reforms form more than a decade, and we must continue to do so, further emancipating thinking, moving reform ahead, and gradually building a socialist market economic system in order to provide impetus for completion of the great cause of a distinctively Chinese socialist modernization.

## FINANCE, BANKING

### Setting Up Investment Funds: Methods Outlined

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[Article by Chen Haowu (7115 3185 2976), Wang Yiming (3769 0001 7686), and Zhou Zuowang (0719 0146 2598): "On Investment Funds and China's Stock Market"]

[Text] The stock markets in Shanghai and Shenzhen have caught many citizens' attention, but except for a handful of people who can truly participate in the markets, most are "on the outside looking in." Even for local people like the Shanghaiese, not everybody has the chance to own original shares and not everybody has the opportunity or the means to buy stocks in the secondary markets. Before China's stock markets open wider, what is the investment outlook for the average investor, especially the out-of-town investor? How can the average investor reap higher returns and still be safe and secure and avoid investment losses? We think investment funds are the ideal mold.

### I. Investment Fund Is a New Creation of the Financial System, an Important Form of Financial Asset for the Citizen of Any Nation

Investment fund refers to the new form of investment whereby an investment institution (generally referring to a security company) acts as agent to pool money from many nonspecific investors and make reasonable investments on their behalf. It is usually set up by some reputable large or medium-sized financial intermediary that issues fund benefit bonds (fund coupons) to the public or to institutional investors; the investors buy and hold these securities at the predetermined price. The substantial amount of investment money so accumulated is then invested by the institution on the clients' behalf. The money is spread among different securities and other types of financial assets to reap the highest return and keep the risks minimal as agreed between the financial institution and the investors and to take advantage of the experts' knowledge to make collective investments, spread the risks, and increase the return.

Investment funds originated in Great Britain. In 1868, the British government set up the London Foreign and Colonial Government Trust Fund. It purchased foreign and colonial company stocks and resold them to the rising middle class in Great Britain during the Industrial Revolution. This was the earliest fund organization in history. In 1924, the first American investment fund was set up in Boston. After the 1930s, to satisfy the need for new financial breakthroughs, American and European nations started many different types of investment funds. After World War II, supported by international financial companies and other international financial institutions, the investment fund system developed rapidly in all nations. Data show that the total value of the United States' investment funds increased from \$400 million in 1976 to \$21.6 billion in 1986, and in Asia, the number of funds has reached 2,063 in 1987, with total asset exceeding \$275 billion. At the same time, the fund system has developed fairly rapidly in Europe, Africa, and Latin America, and investment funds have become an important way to turn citizens' savings into investments in many nations.

In March 1992, Hubei Province's Hubei Securities Company issued the first batch of "investment benefit bonds" worth 20 million yuan. This is also a form of

investment fund. Judging by this issuance, the people are enthusiastic and the bonds are very popular. Currently, this fund is doing very well, and the issuance of a second batch of investment benefit bonds is in the works.

## **II. Average Investors, Especially the Moderate and Small Investors, Are Particularly Attracted To Investment Funds Because They Have Unique Advantages Over Other Forms of Financial Assets**

The fund system originated in the developed nations, but they have developed the fastest and have been most successful in the developing nations where the securities markets have been slow to mature. Why are investment funds so well liked and accepted by the average investors, especially the moderate and small investors, in developing nations that they have become one of the most important forms of financial assets? Most people agree that the main reason is that investment funds have the following advantages:

One, investment funds are usually managed by experts, and this makes up for the average investors' lack of investment knowledge. In a developing nation, because financial expertise is not universal, most investors, especially the moderate and small investors, know very little about investing in securities, and the resulting immature investment behavior is one of the main reasons for the turbulent securities markets in these nations. But since investment funds are managed by financial experts who have the advantage of having information, knowledge, and experience, they can make better investments to avoid the kind of arbitrariness and errors in decision-making typical of the average investors so as to ensure the safety of the average investors', especially the moderate and small investors', investments.

Two, investment funds are usually invested by fund organizations, and this makes things much easier for most investors. Securities investment, securities exchange and settlement, securities safekeeping and other complicated and tedious matters often pose professional limits for the average investors, especially the moderate and small investors. Since these matters are now handled by specialized investment institutions, these restrictions are lifted and it makes things much easier for the investors.

Three, investment funds are a kind of financial asset that generates relatively high investment return and incurs relatively little risks, and so they are an important choice for many moderate and small investors. In developing nations where the securities markets are relatively underdeveloped, the domestic securities markets, especially the stock markets, are relatively small, and most investors, especially the moderate and small investors, rarely have the chance to make direct investments. The introduction of investment funds breaks down the boundaries of the small markets and helps to turn domestic funds from savings into investments.

## **III. The Most Immediate Significance of Investment Funds to China's Economic Development and Reform Lies in Their Ability To Effectively Open Up and Expand China's Stock Market and Promote Their Orderly Development**

Since 1987, and especially since the spring of 1992, China's stock markets have made effective development with respect to issuance as well as circulation. In particular, stock market development in Shenzhen and Shanghai has given people tremendous confidence in the growth of China's stock markets. Relevant data indicate that China's stock markets in Shenzhen and Shanghai are beginning to take shape and are now comparable to the mid-sized markets in most developing nations. From the point of the markets' capital, the Shenzhen stock market has close to \$10 billion (approximately 60 billion yuan RMB) in capital, and the Shanghai market has \$5-7 billion (around 30-40 billion yuan RMB.) From the point of the number of listing companies, currently, 12 companies are listed in the Shenzhen market, offering 16 different stocks, and for Shanghai, there are nearly 20 companies offering around 20 stocks. Despite the small absolute quantity, the number of listing companies is increasing rapidly. According to an authoritative source in Shanghai, it is estimated that by the end of 1992, there will be 50-70 companies listed on the Shanghai market, and within 2 years, the number will exceed 200. The quality of the listed companies has further improved. As for the shareholders, although the number is small today, when the reform of the shareholding system is fully underway, we will soon have a large contingent of stockholders. Furthermore, if we look at the increase in number of shares transacted, we can also sense the momentum of China's stock markets' rapid development.

But the development of China's stock markets is also facing two sticky problems which urgently need to be solved. First, will the equity revolution that erupted in recent years be aborted because of market turbulences caused by the immature and scattered stockholders? Second, how do we promote the orderly development of China's stock markets? Obviously, whether we are looking at the immaturity of the masses of Chinese investors or at the turbulence of Shenzhen's stock market in recent years, this is no time to sit back and relax. With this point in mind, we should consider setting up and developing investment funds in China and standardize and in turn open up China's stock markets by working with these funds.

1. By setting up investment funds and through their operations we can spread the stock market capital and curb the sharp rises and sharp falls in stock prices.

Turbulence in China's stock markets, especially the Shenzhen stock market, is mainly caused by too much money in the stock markets chasing after too few stocks and by the investors' immature investment behavior. By setting up investment funds and through their operations, we can at least attract part of the money and scatter them among different financial assets and in turn

ease the pressure of market demand and curb the frequent sharp rises and sharp falls in stock prices.

2. By setting up investment funds and through their operation we can manage the stock markets from the demand side and achieve the government's savings management goal.

Under China's current situation, so long as the reform of the shareholding system is not fully underway, the scope of stock issuance and circulation will be relatively narrow, and obviously, even though the stock markets are an important channel for turning savings into investments, China's stock markets' ability to absorb funds will be relatively limited, and excess funds in the stock market will only trigger market fluctuations. Setting up investment funds can facilitate the smooth transformation of savings into investments.

3. By setting up investment funds and through their operation we can open up and unify China's securities markets.

Today China's stock market transactions are concentrated in Shenzhen and Shanghai. When reform of the shareholding system is fully underway, the number of stocks that want to be listed in the Shenzhen and Shanghai stock markets will increase very quickly. If the interior provinces' stocks are listed in the Shenzhen and Shanghai markets, it will be impossible for the individual investors to participate directly in stock transactions. So prospects are good if we can use the investment fund format to organize the investors in the interior provinces to take part in the Shenzhen and Shanghai markets. When that time comes, investment funds will be especially important to the development of China's stock markets and to the formation of a unified market.

#### IV. Two Basic Organizational Forms of Investment Funds, China's Choice

##### 1. Two types of investment funds:

There are two types of investment funds, namely company-type funds and contract-type funds. The former are economic entities set up under corporate laws and have the qualifications of independent legal persons and are profit-oriented. Their internal organizational structure is similar to that of a limited liability company in the usual sense. Contract-type funds are set up based on contractual agreements, and to a certain extent they are similar to trusts. In either case, the investment fund organizations issue fund certificates of a definite term and invest the money they have pooled in stocks, bonds, and other assets.

##### 2. The basic framework of company-type funds:

Company-type funds are composed mainly of the following key elements: (i) The originator. He is the person who started the fund. (ii) The board of directors. It is made up of investors in the fund certificates. Its responsibilities are two-fold: First, it is responsible for safeguarding the fund investors' interests and making sure

that the fund managers always act in the interests of the investors. Second, it supervises how the money is invested and guarantees compliance with the government's management rules and regulations and with the relevant articles in the prospectus. (iii) The fund managers. They are investment experts who are responsible for deciding how the funds are put to use, such as buying and selling stocks. The fund manager may also be the originator. (iv) Distributor, responsible for issuing the fund certificates; this can be a broker but also a bank or other institutions with distribution rights. (v) Brokers. They are responsible for the everyday buying and selling of financial assets in accordance with the manager's instructions. (vi) Custodian, responsible for safekeeping the in-kind financial assets the fund has invested in. (vii) Registrar, responsible for registering holders of fund certificates, transfer of accounts, and other matters. (viii) Prospectus: In setting up the company-type funds, the most important legal document is the prospectus. It is the advertisement printed by the fund-issuing company to let the buyers know about the company's financial situation and the fund certificate's price and the number of issuance. The prospectus should contain the following information: (a) the fund's organizational structure, that is, all information listed in items (i) through (vii) above, as well as its organizational framework; (b) detailed information about members of the board of directors, the fund manager, the custodian, the accountant, and the auditor and so on; (c) the company's assets and liabilities and profits and losses and so on; (d) investment policies and restrictions; (e) regulations on taxes and dividends; (f) detailed rules pertaining to transaction and redemption of fund certificates; (g) other important information that should be included in the prospectus.

##### 3. The basic framework of a contract-type funds:

Contract-type funds may differ from company-type funds in organizational structure, but the structural framework and operating mechanisms are basically the same. The biggest organizational structural difference between a contract-type fund and a company-type fund is that the former has no board of directors. The responsibilities and duties of protecting the investors' interests lie with the trustee. The trustee is also an independent organization, like a bank or other financial institution. In this case, the most important piece of legal document is the trust agreement signed between the fund manager and the trustee. The trust agreement is similar to the prospectus; it also stipulates the fund's investment policies and restrictions and so on.

##### 4. China's choice:

Due to the limitations posed by the system, policies, management and other areas, it will be rather difficult for China to set up a large group of company-like funds anytime soon. In view of the needs of China's stock markets and structural reform at the present time, to develop a fund system in China, we should consider the strategy of "solving the easy problems first before tackling the difficult ones." We should take advantage of



China's existing infrastructure, such as the talents and business advantages of the securities companies, trust and investment companies, and other institutional investors, to quickly set up a group of contract-type fund organizations and promote the development of China's stock markets through their expanded operations and their real strength. At the same time, we should make use of financial institutions outside of the country to set up a group of Chinese "overseas funds." As soon as China's macroeconomic environment and system improve, especially after the "Corporate Law," "Law on Shareholding Limited Liability Companies" and the state's accounting, auditing, and taxation systems are perfected, we can consider setting up a group of company-type fund organizations. At the same time, the state should promptly consider formulating laws and rules and regulations on the formation and management of investment funds to facilitate the healthy development of China's investment fund system.

#### V. Some Concrete Ideas on Setting Up Investment Funds in China

Since investment funds can supplement and benefit China's existing, immature securities market, how should we set up investment funds in China? In our opinion, we should start with the following:

##### 1. Preliminary preparations:

(i) Who should start the investment funds? We suggest letting the securities companies and trust investment companies take the lead to set up the investment funds. This is not only because they have the personnel and business advantages but also because at the present time the systemic environment does not allow any other choice. (ii) Should the funds be close-end or open-end? Generally speaking, a close-end fund benefits the investors if the price of the fund certificates rises, but they also run the risk of prices falling; close-end funds tend to benefit the fund managers more. Open-end funds are less risky for the investors, and even though fund certificate prices do not go up, the basic value is always there, and when the investors no longer want to hold on to the certificates, they can also ask the fund managers to redeem them. Thus, open-end funds are not to the managers' advantage; the funds they manage are unstable; they must always be ready to satisfy the investors who want their money back. Therefore, open-end funds are usually invested in fairly liquid financial assets. (iii) Terms of the fund certificates: Fund certificates carry a definite term, and to the managers, of course the longer the term the better, but to the investors, the longer the term means the higher the risks. (iv) Should the funds be listed? If they are to be listed, there will be some pre-listing preparations. (v) How does one make an investment? For close-end funds, the investors can sell their fund certificates in the secondary markets to profit from their investment. Investment in open-end funds is through the investors' request for redemption of fund certificates by the fund managers. (vi) Appoint members of the board of directors or the trustees. (vii)

Appoint the custodian (or trustee) and accountant and others. (viii) Appoint the registrar. (ix) Should other extraordinary steps be taken? For example, should subscription warrants be issued? Should the capital be split? (x) In addition, there is advertisement and promotion, and as soon as the time is ripe, the certificates may be formally issued.

##### 2. Setting fund certificate prices:

When setting fund certificate prices, we must consider the interest rate and the money supply situation at that time, whether the prices are compatible with listing conditions in the securities exchange, and whether the investors will find them easily acceptable. Once the prices are set, they should immediately be announced in the newspapers and magazines and formally announced in the prospectus. If they are to be listed, they must go through the listing procedure.

##### 3. Selling the fund certificates:

The issuance of fund certificates may be a public issuance or it can be a private issuance. The latter refers to subscriptions by long-time clients or friends over the telephone or in writing; there is no need for advertising or sending out prospectuses. There are three types of public issuance: they can be underwritten, sold through brokers, or by the company itself. The latter refers to sales handed by the person who started the fund; underwritten and brokered sales require an intermediary. This intermediary can be a bank or a broker, and in the latter case, the broker and the originator must sign a sales contract. Funds with an over-issuance may recruit brokerages to organize joint sales groups to make sales.

##### 4. Listing the fund certificate in the market:

After the fund certificates are formally issued, a day can be picked to list them in the market; they can then be traded on the securities exchange.

##### 5. Fees

Generally speaking, there are five types of expenses connected with the funds: (i) Initial expenses, including advertisement, prospectus, member application fees and so on. (ii) Management fees: This is the managers' income, and generally this is based on a fixed percentage of the net value of the fund assets. (iii) Custodian fee: This is based on a fixed percentage of the value of assets entrusted. (iv) Transaction fee, referring to the cost incurred in every purchase, sales, transfer, and transaction. Usually this is based on a fixed percentage of the net value of the securities transacted. (v) Broker's commission: This is the fee paid based on the amount stipulated by the securities exchange when a broker buys or sells securities for its client. This is the brokers' main source of income.

## VI. Several Policy Measures Regarding Government Management of Investment Funds

Obviously, it is equally important for the government to encourage the development of investment funds as it is to administer necessary management. The Chinese government's management of investment funds should mainly include the following:

1. It should supervise the investment fund organizations and make sure they become rational investors.

In an unpredictable stock market, the market disturbances caused by the investors' immature investment behavior create a poor environment for the listing companies to raise capital. Investment funds are investment institutions managed by professionals. Their investment decisions are often based on cool-headed analyses. This kind of rational behavior is necessary for the healthy development of China's stock markets.

2. It should set certain limits to the funds' investment behavior.

Setting limits to the funds' investment behavior is an important way for the government to manage them. To safeguard the interests of the moderate and small investors who own fund certificates and spread out the risks of the financial assets owned by the funds, the government must set necessary limits to the funds' investment behavior. They include: (i) Each fund may not own more than a certain percentage of the stocks and bonds issued by a single company; (ii) a single company's stocks and bonds may not make up more than a certain percentage of a fund's net asset value. (iii) A fund's investment in a single industry may not exceed a certain percentage of its net asset value. (iv) There should be some restrictions regarding specific trades and industries. (v) There should be some restrictions on the funds' borrowing and efforts to preserve value. (vi) There should be some restrictions on the listing of fund certificates. (vii) There should be some restrictions on funds investing in one another. (viii) There should be some restrictions on issuing installment payment fund certificates. (ix) There should be some restrictions on derivative certificates such as subscription warrants. (x) Other restrictions on the funds' investment behavior and so on.

3. The government should manage other important aspects of the funds:

These important aspects include what basic information the fund prospectus should contain, regulations pertaining to the pricing and listing of funds, formulation of a fee collection system, profit allocation principles, and standard forms of financial statements, as well as how to prevent the funds from controlling the market and how to protect the interests of the moderate and small direct investors—these are all important parts of the government's management of the funds.

## SMALL-SCALE ENTERPRISES

### Eliminating Misconceptions on Private Economies

93CE0206 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 11, 5 Nov 92 pp 26-27

[Article by Xu Chenghua (1776 2110 5478): "Development of the Individual and Private Economies Mandates Elimination of Three Misconceptions"]

[Text] In keeping with the spirit of Comrade Deng Xiaoping's talk in the south, and relevant to the realities of China's economic life, the writer has two reflections on the issue of developing the individual and private economies:

#### 1. Development of the individual and private economies must be considered from the strategic angle.

The strategy I refer to is that of achieving the magnificent goal of our being "comparatively well-off" by the end of this century. Development of the individual and private economies is directly related to this. We are now a little more than eight years from the end of the century, and achievement of the goal in that time will be a formidable task, requiring the mobilization of every factor and the maximum possible effort. This can be compared with nine oxen pulling a cart: each must try his hardest. First, we must depend on rapid development of the state-owned and collective economies, thereby increasing the extent of the public system of ownership. Second, the individual and private economies must also move to a higher plane, bringing into full play their "necessary and beneficial" supplementary functions. These functions are absolutely essential to achieving our goal of being "comparatively well-off" by century's end. In order to speed up our economic development, we encourage development of enterprises which are of the "three systems of ownership" type; so why do we not encourage development of the individual and private economies? These economies could also accelerate economic development. Therefore, development of the individual and private economies is closely linked with achieving the goal of being "comparatively well-off" by the turn of the century. It is a strategic problem.

#### 2. How can we speed up development of the individual and private economies?

The problem for these economies right now is not one of acquiring more money or material, nor one of avoiding or paying less taxes; rather, it is one of eliminating obstructive thinking, of getting rid of misconceptions. The development of the individual and private economies in China has required passing through a very difficult and tortuous process. It was only after the Third Plenary Session of the 11th CPC Central Committee that people's thinking became a bit more liberated, and the individual and private economies began to show progress in their development. However, the problem for these economies now is that the "left" has still not been thoroughly eradicated, while the influence of the right is



starting to appear, presenting considerable obstacles to development of the individual and private economies. From an ideological standpoint, we should now concentrate on eliminating the following three misconceptions:

First, eliminate the view that there is no place for the individual and private economies in modernized, large-scale production.

For many years, the conventional wisdom has been that individual and private economies continue to exist in a socialist society because of multilevel and unbalanced forces of production. A great many comrades believe that under socialist conditions: ownership by all the people represents advanced, socialist, large-scale production; that collective ownership is most compatible with intermediate-level production; and that individual ownership can only accommodate backwards, small-scale production, while development of the private economy is merely a way of raising funds and expanding employment. According to this view, development of the individual and private economies is just an expedient way of escaping from poverty, and not an option for achieving economic modernization over the long haul; it can only handle small-scale, low-grade operations, and cannot move up in scale or level. I believe that this theory is one-sided. It is not only totally unrealistic, but also casts a shadow over development of the individual and private economies.

In order to prove the inevitability of the public system of ownership, the classical works of Marxism put a heavy emphasis on the tendency of socialized production to bring about centralized production. Actually, the realities of modern economic development show that the socialization of production takes place simultaneously with centralization, and only leads to the decentralization of production. These two trends exist side by side. Centralization of production indicates that the general scale and level of production has expanded. But collectivized large-scale production cannot be separated from dispersed "small and specialized" production, and often is really managed on the scale of "small and specialized" production. Some examples of this are Swiss watches and the Matsushita and Mitsubishi Groups in Japan. These have many "small and specialized" processing plants serving them. The relationship of these "small and specialized" processing and assembly plants is often one in which they merely fill orders for, but are not owned by, the larger group. China also has many examples of state-owned and collective large- and medium-sized enterprises which trust individual and private processors to fill their orders, and these individual and private enterprises entered into modernized production early on. Now we also have the spectacular phenomenon of individual and private economies entering such modern fields as scientific and technical development, information consulting, etc. They are now maturing into a new force for realizing China's modernization. According to a survey by relevant departments, in Anhui the output

value of individual and private enterprises engaged in scientific and technical development has surpassed 50 million yuan.

To sum up this point, the development of the individual and private economies should proceed from the realities of economic modernization. We must make firm decisions concerning the strategic goals for their economic development and their developmental path, select new trains of thought, adopt new measures, and strive for new breakthroughs.

Second, eliminate the view that the individual and private economies are incompatible with economies of scale.

The essence of this view is the fear that the individual and private economies will develop to the extent that they will contend with the state-owned and collective economies, and eventually shake the very foundation of the system of public ownership. The operators of individual and private enterprises are themselves hesitant to be bold in their development, fearing that overdevelopment could lead at some time to government intervention, with political and economic hardship for them. Therefore, they all have lingering fears where the question of their operational scale is concerned. I believe, for several reasons, that their development now is something to be encouraged rather than feared. For one thing, individual and private enterprises overall constitute a relatively small proportion of the domestic economy; the individual scale is also small, and cannot possibly threaten the foundations of the system of collective ownership. Statistics for 1990 show that nationally, private entrepreneurs registered funds in the amount of 39.7 billion yuan, an average of 2,992 yuan each. Individual entrepreneurs did 149.2 billion yuan in business, an average of 11,234 yuan per enterprise. Privately operated enterprises registered funds in the amount of 9.5 billion yuan, an average of 970,000 yuan each. Their total volume of business was 17.3 billion yuan, averaging 177,000 yuan. Obviously, operations on this scale could not possibly be a threat to the system of public ownership. Another reason is that the state-owned and collective economies have firm control of most of the domestic economy, as well as key areas of the national economy and the people's livelihood, such as resources, communications and transportation, finance, major materials, etc., while the individual and private economies cannot control the development direction of the overall domestic economy. A third reason is CPC leadership: political power is firmly within our grasp, and we can fully control the direction in which the domestic economy develops, while at the same time formulating policies and programs which coordinate China's economic development. All that is required is that we keep our heads clear, and give appropriate assurance that development of the individual and private economies is not something dangerous. So, I believe that individual and private economies should now move up in scale and in level. If they should be so big, then let them be that big, for their growth will increase their

benefits to society and be advantageous in attaining the goal of being "comparatively well-off" by the end of this century. Should there be some "degree" of control, through macroeconomic state regulation? I believe there still should be. If the individual and private economies spread like the ocean throughout the entire nation, then public ownership could grow small in comparison, and become like a small boat on the sea. It would be difficult to call that a socialist economy. But in certain specific departments and industries, the individual and private economies could surpass the state-owned and collective economies. There should be further study as to what "degree" of overall, macroscopic control is needed. However, it should be emphasized that what is needed right now is development, not control.

Third, eliminate the view that the individual and private economies are incompatible with strengthened management.

If it can be said that the previous two points are evidence that "left" influences have still not been eradicated, then this point reflects the fact that influence of the right still exists. This view holds that if we encourage development of the individual and private economies, then we cannot strengthen management; if there is "rigorous" management, then individual and private economies cannot survive. This is incorrect. The functions and effects of these economies are by no means entirely positive; there are many unhealthy things about them, and they require strong management. At the same time, many of the problems which exist in the individual and private economies were brought about by poor management. If management is strengthened, the negatives in the individual and private economies will decrease. If management cannot keep up, the market will be in disorder, and operators will be unable to compete on an equal footing. Inevitably, if operators do not share equally in the hardships and benefits, enthusiasms are dampened, and development is affected. So, management and operations are unified opposites; we cannot look at just one side or the other, but look at both as a unified whole. What I mean here is that when we speak of management, it is proper management according to law, and not illegal, chaotic management carried out as one pleases. Examples of this are going through many doors politically, unjustified financial levies and fees, etc. It must be said that such phenomena still exist, and are working against the development the individual and private economies. This must be corrected.

## FOREIGN TRADE, INVESTMENT

### Stages of Import, Export System Reform Discussed

93CE0221A Beijing GUOJI MAOYI [INTERTRADE]  
in Chinese No 131, 27 Nov 92 pp 18-21, 44

[Article by Qiang Yongchang (1730 3057 2490): "On GATT and the Restructuring of China's Foreign Trade System"]

[Excerpt] [passage omitted]

## II. Reform of the Import Trade System

Reform of the import trade system is an important part of China's restructuring of the foreign trade system. Over the last 14 years, reform of the import trade system has made it easier to improve the supply of material and monetary capital in the domestic markets and to create an effective external environment for enterprise competition; it has facilitated the development of the national economy. But because China is still inexperienced in macroeconomic management, its international payments are often precarious, and its enterprises still lack the ability to discipline themselves; it has never come up with a clear program and procedure for the reform of the import trade system like it did for the export trade system. Even though we have basically set the reform direction which makes liberalization of trade our goal and the share of enterprise-raised foreign exchange used to pay for imports each year and the share of import goods priced by the market have increased and import tariffs have been lowered somewhat, still the reform of the import trade system, to a very large extent, is faltering and making no progress.

1. Establishing an import trade system for the socialist market economy is the ultimate goal and the direction of our reform. But in order to achieve this goal, we must fully consider the practical needs and the tolerance of China's economy at different historical stages and then proceed in stages. These stages can coincide with the restructuring of China's entire economic system and can be divided into the preparatory stage, the stage of protected competition, and the stage of free competition.

In the preparatory stage, we should gradually complete the installation of macro regulation and control measures, strengthen various economic and legal measures, and perfect the macro taxation, financial, and pricing systems. Given that enterprises are completely and truly responsible for their own profits and losses, we should perfect their self-restraining mechanisms. At the same time, we must also actively strengthen propaganda work to change people's old concepts and fully prepare them psychologically and ideologically.

In the stage of protected competition, the departments in charge of foreign trade should use economic levers and legal means to regulate the scope, composition, and geographic direction of imports to give expression to our domestic industrial structure policy. While properly protecting industries in which a large gap exists between domestic and foreign technologies but which have good future prospects, we should open up the domestic markets and increase the intensity of competition, so as to use competition to spur development and accelerate the improvement of the domestic market system and the industrial structure. At the same time, we should give foreign trade enterprises sufficient power to make management decisions and perfect the organizational structure of the foreign trade sector.

In the free competition stage, China's restructuring of the economic system will have been completed and its financial, banking, taxation and other system will have been made sound. A new internationalized, standardized, and diversified foreign trade system will have been established. All legally imported goods will compete with domestic products under fair, reasonable, and equitable conditions. Foreign trade enterprises will have to pursue their own development based on the principle of survival of the fittest.

2. Reform of the import trade system should be in harmony with international trade rules and regulations, and we should restructure the existing foreign trade system in accordance with our rights and obligations upon resuming our place in the General Agreement on Tariffs and Trade [GATT]. When we formulate our future import trade policy, we should consider the rights and obligations attached to the "three principles" of GATT after we resume our place. On the one hand, we must emphasize the fact that China is a developing nation and ask that we be given the preferential treatment extended to all developing nations on trade-related matters. On the other hand, we should put our import trade system on an internationalized, standardized, and diversified path as soon as possible and use tariff measures, insurance provisions, exceptional clauses and other methods permissible under international trade regulations to protect the domestic markets and gradually make tariffs and exchange rates and other economic measures the principal means for regulating import trade.

3. To meet the needs of national economic development and international trade programs, we must step up the reform of the tariff system. China has promulgated a succession of tariff laws and regulations, including "The Tariff Law," "Import and Export Tariff Provisions," "Customs Import and Export Tax Regulations," and "Customs' Regulations Pertaining To Assessment of Import and Export Goods by Customs." We have eliminated or reduced tariffs on 225 imported commodities and will soon start the "Product Name and Serial Number System." We are basically in compliance with international trade regulations. But from the point of world tariff standards, China's present tariffs average 16.7 percent, which is higher than the average of 4.7 percent imposed by the developed nations and 11.3 percent imposed by the developing nations. Moreover, we have a poor tariff structure. Therefore, it is necessary to further lower the level of tariffs and readjust their structure so as to make tariffs more effective as a protective measure. In this regard, this author believes that in restructuring the tariffs system and in reducing and yielding tariffs, we should uphold the principle that we are a developing nation and the principle of mutual benefit and make every effort to link them to the negotiations of other issues and make use of the clauses in GATT and precedence set in other negotiations to control the scope and extent of tariff reduction and compromise; we should reduce tariffs in gradual steps to maximize the benefits.

4. We should reform nontariff measures. In the wake of the thorough restructuring of the foreign trade system, market factors are playing an increasingly bigger role in regulating the scope, composition, and geographical direction of imported commodities. The scope of use of import licenses has already been reduced, and as our balance of payments situation improves, it will be reduced even more. (It is planned that the use of import licenses will be reduced by two-thirds over the next 3 years.) But the restructuring of China's domestic economy is not yet complete; the pricing, financial, and taxation systems have yet to be perfected; and enterprises still do not have the mechanisms to discipline themselves, and as a result, the state still plays a very important role in import management. For this reason, further reforming China's non-tariff import management measures will, in the future and even after we have resumed our place in GATT, continue to be a very pressing matter. Thus, on the one hand, we must diligently study GATT's nontariff measures and precedence set in related negotiations, so that while we stress the fact that China should be entitled to the same treatment as other developing nations, we must also make an utmost effort to avoid practices that violate GATT regulations, such as imposing quantity limits and so on. Even when we have to resort to those measures for some imported commodities, they must be implemented in a completely above-board fashion, following fair and equitable principles. On the other hand, the reform of nontariff measures should make a distinction between different commodities and different stages of economic development, and different measures should be adopted to protect immature industries and speed up the readjustment and improvement of the domestic industrial structure.

5. We should strengthen legal installations and perfect the macro regulation and control measures. Strengthening foreign economic relations and trade laws, especially special laws with coercive effects, is crucial to the successful internationalization and standardization of China's foreign trade system. It is also an effective way to enrich our macro regulation and control measure after we resume our place in GATT.

### III. Reform of the Export Trade System

Since 1979, we have adopted a succession of reform steps to streamline government and delegate power, separate government and enterprises, implement contract management, and let enterprises take care of their own profits and losses. These measures have brought dramatic changes to China's export trade system which basically is in compliance with international trade rules and regulations and GATT requirements. But for historical reasons, China's productive forces and scientific and technological standards are still very backward, and there are some abnormalities in our export trade. Therefore further reform of China's export trade system so that it not only gives expression to the characteristics of the socialist commodity economy but also complies with international trade rules and regulations and GATT requirements has become an urgent matter in the

restructuring of China's foreign trade system. But to successfully make this change, we must implement various reform measures in accordance with the following principles:

1. The principle of integrating planning and the market: Setting up a socialist market is the guiding principle behind the restructuring of China economic system, and reform of the export trade system is no exception. As we vigorously develop the commodity economy, we must also pay attention to the coordinated development of the social-economic system. Clearly the critical issue here is how to coordinate these developments. In other words, it is a question of how to give expression to planned regulation in a socialist market economy. Thus in the reform of the export trade system, the management departments should fulfill their coordinating function by making use of pricing, taxation, financial, and legal measures to generate an impact on enterprise profit. Planning in essence should become more guidance-oriented.

2. The principle of linking reform of the export trade system to international trade rules and regulations: Handling foreign economic affairs in accordance with internationally accepted practices is an important part of the internationalization of China's economy. This kind of linkage is not only the objective demand of the internationalization of China's economy but is also an international obligation after China resumes its place in GATT.

3. The principle of facilitating the steady development of China's export trade: The goal of the restructuring of the trade system is to eliminate the flaws in the old system and establish a modern trade system which is much more flexible and has the ability to regulate itself so as to promote export trade's steady growth. The steady growth in export trade here not only refers to the increase in the volume of commodity export but also includes optimizing the mix of export goods and improving the export trade conditions.

4. The principle of maximizing the social-economic benefits: Reform of the export trade system is a systematic project. It is not only affected by the other reform factors such as the readjustment of the industrial structure and reform of the financial, banking, and pricing systems, but it in turn affects those reform factors. The principle of maximizing social-economic benefits is the linking of reform of the export trade system to China's economic development, and while guaranteeing the steady increase in export trade, we must also effectively promote the perfection and upgrading of the domestic industrial structure to facilitate the high speed development of the entire national economy.

Since 1979 reform of China's export trade system has been confined to the delineation of operating rights and management rights, hoping that by clearly separating those rights, we can define foreign trade enterprises' status and establish their self-restraining mechanisms to fulfill the goal of letting enterprises take care of their own

profits and losses and make their own management decisions. Obviously it was proper to make this reform goal the direction of reform back then or even for the next two to three years, but it is wrong to make it the ultimate goal of the reform of the export trade system. This is because the purpose of reforming China's export trade system is to set up a modern export trade format for the socialist commodity economy, and the contract system is but a transitional operation and management system. Therefore, the ultimate goal of the reform of the export trade system should be to "internationalize, standardize, and diversify" export trade operation and management. Internationalization refers first to the internationalization of the macro management system. That is, the promulgation and implementation of objective policies must be in harmony with international trade rules and regulations. Second, it refers to the internationalization of the micro management system. That is, enterprises' micro operating measures should meet the requirements of the international trade system, and at the same time, enterprises should look at their own situation and actively launch international operations to turn themselves into international management entities. Standardization refers to drawing a clear line between micro and macro export trade management and letting each serve its function. The regulation and control of macro policies should give expression to export trade's coordinated development characteristic. The enlivening of enterprises at the micro level should be founded on the effort to turn enterprises into real and independent entities, and by making use of enterprises' self-disciplining mechanism as they begin to make their own business decisions, we can increase their economic efficiency from within and overcome their complete dependence on the state's preferential policies. Diversification means giving play to the diverse nature of macro regulation and control measures; it does not mean diversifying the macro control and regulation entities. At the micro level, this is manifested in the diverse enterprise management methods and also in the variety of commodities. We need diverse markets made up of regions of different levels of economic development but also a certain amount of real ability to make domestic sales.

In short, this modern export trade system is a format that combines highly efficient macro regulation and control and lively micro management. It is very versatile and very flexible and is an effective mode that suits China's national situation and complies with international trade rules and regulations.

In the first stage we must perfect the existing export trade system and create the conditions to help foreign trade enterprises become enterprise groups and real entities. Although practice proved that the contract system played an important role in increasing foreign trade enterprises' enthusiasm and expanding the scope of export trade in the last few years, because foreign trade enterprises lack the mechanisms to take care of their own profits and losses, some of their export commodities in fact are still being subsidized, in the form of export tax

rebates and so on. This undermines foreign trade enterprises' healthy development with regard to management and jeopardizes the relationship between trade and industry on the one hand, and on the other hand it also gives nations importing our goods an excuse to impose a counter-subsidy tax. For this reason, first, we must make reform of the export trade system a part of the restructuring of the entire national economic system and shift from export commodity subsidies to the readjustment of the industrial structure. This approach has two advantages: One, it eliminates the direct export trade subsidies, which puts our export trade system in compliance with international trade rules and regulations, so that China's export goods need not face counter-subsidy discrimination after being subjected to unfair anti-dumping treatment. Two, it links export trade to the domestic industrial structure to form a complete structure that keeps both in motion. Second, we must delineate and clarify enterprises' property rights, and thereupon we can perfect the contract system. Delineating enterprises' property rights in assets they now have and assets they will add later is an unavoidable issue in future reforms of the export trade system. Only if we clarify enterprises' property rights can we facilitate the development of shareholding enterprise groups and the implementation of the bankruptcy law, and only then can we force enterprises to consciously discipline their own management and operating activities in accordance with the principle of profit maximization.

In the second stage, foreign enterprises should begin to operate, and further develop their operation as enterprise groups and as real entities. This goal can only be achieved upon the success of the first stage of reform and in the wake of the readjustment and perfection of the domestic industrial structure. Because the first stage reform will have restored foreign trade enterprises to "bona fide enterprises," it will trigger enterprises' internal drive to operate as enterprise groups and real entities. Through enterprise mergers and stock participation and other formats, they will form tight, all-purpose enterprise groups, and this will solve the problems typical of loose-knit enterprise groups governed by administrative measures—their apparent harmony but actual variance, their tendency to take advantage of each other, and their lack of bonding by mutual interest. In terms of macro regulation and control, the management departments should regulate the operating profit generated by different commodities to guide the direction of development of export trade. But it should be pointed out that when we use nontariff measures, on the one hand, we must comply with GATT principles on keeping everything aboveboard and treating everybody evenhandedly, and on the other hand, those measures must facilitate the optimization of domestic resources. This means the foreign trade macro management departments must promptly make public all relevant regulations and business operating procedure, especially some internal management regulations, and they should allocate the export licenses and quotas by means of open

competition, so as to create an environment of fair competition for all types of foreign trade enterprises.

In the third stage, after going through the first two reform stages, both enterprises' internal micro operating and management systems and their external operating environment and macro regulation and control measures are perfected; enterprises' and the corresponding departments' responsibilities, rights, and privileges are clarified. The foreign trade management department is now responsible only for buying foreign exchange as instructed and for allocating export licenses and quotas based on bid results. The exporting enterprises now have complete rights in making their own business and management decisions. In turn, as enterprises make use of various management and operating measures to maximize their profit and optimize their results within the scope of their rights and privileges, a new pattern of internationalized, standardized, and diversified export trade operation and management system will emerge.

To sum up the above, although we can design a fairly clear framework for the overall goal and the goal for each stage of reform of the export trade system, whether each goal can be achieved will depend on the reform of the foreign trade system as well as the restructuring of the nation's economic system. The first stage involves the delineation of property rights, and it will take around 5 years to complete. The success of the second stage to a large extent depends on the success of the readjustment of the domestic industrial structure and the reform of the pricing, taxation, and financial systems; it will take around 10 years. The third stage mainly is to reinforce the results achieved in the first two stages and is the transition to the final goal, and so it will take about three years. Based on this kind of analysis, China will be able to complete the restructuring of the foreign trade system by the year 2010.

## POPULATION

### Rural Population Control Patterns in Eighties, Nineties

93CE0220A Beijing RENKOU YANJIU  
[POPULATION RESEARCH] in Chinese No 78,  
29 Nov 92 pp 20-23

[Article by Hou Dongmin, affiliated with the Demography Institute of the People's University of China: "The Characteristics of China's Population-Control Demonstration Models for the 1980's and the Impact of the Models on Population Control in the 1990's"]

[Excerpt] To varying degrees, the sudden fall in the fertility rate in China in 1991 surprised those comrades conversant with China's population control situation. In terms of the center's set policy now in force, the objective of the population control work in China is to promote wider use of the population control models developed by the advanced regions and to spread the use of the models to the regions now lagging behind. The main approach is

to enhance administrative regulation through the use of the "one vote veto" method. The spreading of the use of the models of the advanced regions into other regions is a development which should be particularly noted in the study of population control models in China. How successful population control can be in the 1990's will be almost entirely determined by the efforts made on spreading as well as the effects of the spreading. Therefore, it is necessary to analyze the basic characteristics of the demonstration models of population control in China in the 1980's and the likely impact of such models on population control in the 1990's. Naturally, the analysis will also have to be accompanied by discussions of the likely ways in which the "one vote veto" would exert its impact.

### **I. Several Characteristics of Demonstration Models for the 1980's**

The models discussed here mainly refer to the rural models. In the early 1980's, in rural China, first the "one child" policy was implemented, and then most regions changed into a "1.5 children" policy. However, there were some regions which were more successful in their population control work and which thus did not make the latter policy change. The so-called population-control demonstration models refer to the rather mature rural population control models developed in the regions where population control work is more successful, and where therefore the fertility levels are basically in line with policy targets. Although developed in different provinces or localities and in different concrete forms, generally, those models have the following characteristics:

1. The current demonstration models are basically model demonstrations of the desired effect of the current policy.
2. Surveys generally indicate that against the background of the population control work, peasants of all regions (including the model regions) are now mostly inclined to have "one boy, one girl" in terms of child-bearing. It is proper to argue that if the survey questions are slightly modified, the real inclination can be found to be having "two children, one boy" (to want to have two children and to have at least one boy).
3. The model regions have basically reached the targets set in the policy in terms of fertility levels.
4. Models of the different regions are developed against different economic and cultural backgrounds.
5. In terms of the fertility situation in a model region, the fertility levels of peasants across a particular model region are relatively similar.
6. The model regions are currently working hard to improve their own models. In addition to focusing on improving administrative regulation, they are also focusing on improving their practices in such areas as old-age support and insurance. But, with regard to the

trial implementation of some old-age support and insurance measures, there exist no common denominators between the model regions in some respects. The main cause here is the differences in economic strength.

The aforementioned several characteristics of the demonstration models of population control in China indicate first of all that the demonstration results achieved by the regions have been due to the large amounts of hard work done by local grass-roots cadres. Without their outstanding efforts, there would not have been as much success in accomplishing the "most difficult task in the world" in those regions. In addition, the population control situations in those regions are now basically stabilized, and largely on a normal track in terms of regulation. On that basis, the model regions are devoting part of their energy to vigorous efforts to achieve improvements in various areas (including the areas of old-age support and insurance for peasants) so as to facilitate population control. Due to differences in the levels of socioeconomic development between the regions, those efforts to achieve improvements will demonstrate different regional characteristics. Such efforts can thus produce valuable experience with regard to giving different special guidance for regions with different situations in the work of population control in China. All this would have great practical significance.

Secondly, with different backgrounds of socioeconomic development, the model regions achieved the basically same population control results. At the same time, the inclinations regarding child-bearing on the part of the peasants in those regions remain similar to those on the part of people in most rural areas in China. This indicates that a stable policy and effective administrative regulation are the keys to ensuring the producing, and the maintaining of the effect of, results in population control work in the model regions. Economic and cultural differences are of secondary importance. It is exactly this point which has greatly affected the population control theory and practice in China in the past. Some have argued that the practices of the model regions cannot be introduced to other regions in a widespread manner. They believe that in regard to population control China not only should but also can achieve greater effect of population control through adopting other measures (including changing policy approaches or maintaining the policy but changing the tactics). However, according to others, the fact that the demonstration model regions have different economic and cultural backgrounds shows that the problems facing the non-model regions are the same, that is, the problems of maintaining a stable policy and enhancing administrative regulation. China's set policy now in force on population control for the 1990's was formulated on the basis of the latter view. The purpose of spreading the use of the models of the advanced regions is to build up effective and stable regulatory capabilities in the regions now lagging behind.

## II. The Population Control Situation in the 1990's Will Be Determined by Whether We Can Succeed in Doing Neither Too Much Nor Nothing on the Issue of "One Vote Veto."

The models of the advanced regions for the 1990's are based on the "one vote veto," and the use of the models, representing the set policy of the center, is spreading to other regions. This development has for the time being pushed aside theoretical debate. The actual practice in this respect in the 1990's will certainly have great impact on the practice and theoretical study of the issue of population control in China. We can now make the following arguments about the impact of such spreading in connection with the "one vote veto."

It can be argued that while based on the experiences of the advanced regions, the center's policy decision for the 1990's is mainly aimed at enhancing the administrative regulatory capabilities of the regions now lagging behind. However, the hope is not to eliminate the unevenness across the regions, but only to reduce the unevenness, so as to achieve the population control targets for the 1990's. Unevenness across the regions will always exist, and it is impossible to bring the rural fertility levels down to the target level set in the policy everywhere.

As discussed above, in the 1990's, if only we can basically eliminate the phenomenon of "more births after already having a boy" in the regions now lagging behind, while maintaining the population control achieved in urban areas and advanced rural areas, then the national population control targets would be entirely achievable. Therefore, if only we can have a stable policy and do something instead of nothing with regard to administrative regulation in the 1990's, the prospect is not bad. The key issue for the 1990's is give an appropriate role to the "one vote veto." Making the "one vote veto" work in tandem with the current policy already makes doubly high demands on the organizations, institutions, and the cadres engaged in practical work. And, it is impractical to ask the regions with relatively high fertility levels to achieve a change in model—bringing the fertility levels down to a low level—in a short time and in a steady manner.

In short, based on the population control targets for the 1990's and past experiences and in view of the actual situation, it can be argued that the key factor determining whether we can successfully practice the "one vote veto" lies in whether in practice we can succeed in doing neither too much nor nothing in regard to the "one vote veto." It must be made very clear that if only the "one vote veto" can be used to greatly facilitate the complete elimination of the phenomenon of "more births after already having a boy" in the regions now lagging behind, then the population targets for the 1990's would be able to be achieved and the "one vote veto" would have the expected population control effects. On the other hand, if the measure is applied too strictly, then it may come to exist in name only.

The handling of the issue of the "one vote veto" in the 1990's will directly determine the population control situation in the 1990's. [passage omitted]

## Symposium on Population Control Patterns, Practices

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[POPULATION RESEARCH] in Chinese No 78,  
29 Nov 92 pp 40-43

[Article by Shi Ming (0670 2494), affiliated with China People's University's Demography Institute: "Summary of a Symposium on China's Population Control Patterns and Practices"]

[Excerpts] A symposium on "China's Population Control Patterns and Practices," jointly sponsored by the demography institutes of China People's University, Beijing University, Fudan University, Jilin University, and Xi'an Communications University, was held at China People's University in Beijing from 6 to 9 September 1992. [passage omitted]

The participants in the symposium included demographic specialists and scholars and population control practitioners. Over 60 papers were presented by official delegates to the symposium, of which 25 were provided by practitioners. [passage omitted]

The following key topics were explored at the symposium:

## I. The New State of Population Control in the 1990's in Light of China's Reform and Opening

Many comrades remarked that we should gradually reform our existing population control pattern to adapt to the need for balancing the relations between our population and our economy. Some indicated that the basic outline of this new pattern should be to bring our population policy more into line with our development policy, by making population control part of our socio-economic development policy, in order to consolidate our existing population control successes, make new breakthroughs, and more thoroughly balance the relations between our population and our economy. Improving the quality of our population has become a key item in the basic mission of China's future population control. Some comrades pointed out that based on our existing population control mechanisms (mainly administrative and economic penalties), we should better and more vigorously develop social service control forces in the future, by developing sounder systems, such as a comprehensive rural socialized service system, in order to meet new needs. Others made a more detailed analysis of the following possible effects of our development of a market economy on childbearing: development of a market economy might speed up the shift of our agricultural population to non-farm jobs, increase competition, promote population mobility, and raise literacy levels and technical skills; more development of tertiary industries will reduce the functions of the family



and raise the cost of childraising, which will help to restrict childbearing. In addition, it was pointed out that vigilance needs to be paid to problems caused by faster population migration, such as the impact of not enough spending on family planning on the stability of our family planning cadre ranks.

The participants indicated in their discussions that because China's market economy is still in an initial stage of development, it is very difficult now to project its actual impact on population control in the 1990's, so the possible friction between this development trend and our existing population control patterns needs to be clearly understood and given strategic consideration as quickly as possible. Many delegates indicated the following: As China's population control is characterized by "extraeconomic levels," administrative power is going to retain its key role in China's population control success for a long time to come. But while this point needs to be clearly understood, it absolutely does not mean that China's population control can ignore the new state of our overall social transformation and the new demands that it is making. On the contrary, a stable policy for the 1990's must not imply a simple reenactment of our methods of the 1980's. On one hand, we need to positively enhance our public family planning service and propaganda functions, and actively explore the feasibility of measures, such as rural old-age insurance; on the other, when applying administrative force, we should also consciously and actively explore effective administrative methods that will be more suited to the future social, economic, democratic, and legal development of the Chinese population. While methods that do not conform to this trend may prove effective for a time in certain areas, they can only create family planning weakness in the long run. This means that strengthening our family planning firmness is going to be a key item in adapting our population control in the 1990's to this new state of social change;

## **II. A Discussion of the General Population Control Plan for the 1990's**

### **1. The Matter of Later Marriage and Childbearing**

Many of the participating comrades talked about the importance for China of later marriage and childbearing. Some delegates made the following theoretical analysis of childbearing and conversion of our childbearing concept: A complete childbearing concept is a "three-dimensional" one of numbers, time, and sexual distinction. Investigating this from any single aspect is likely to lead to misunderstanding. While our one-child policy of the 1980's lowered our average number of births per woman, marriage and childbearing occurred earlier, and our sex ratio rose. This shows that while we emphasized "numbers," we neglected childbearing "time" and "sexual distinction." Changes in our birthrate must be considered from these three aspects. This is actually a matter of "childbearing modernization." As our population control in the 1990's continues to shift from more to fewer births, the matters of earlier or later childbearing

and births of males or females are going to become the conspicuous issues in our real work. Other delegates pointed out the following: As long as the leadership pays attention to it and measures are efficient, later marriage and childbearing is feasible. As far as the nation is concerned, vigorously emphasizing later marriage and childbearing from now on, assuming the same birthrate plan, would be able to reduce China's population in the mid-21st century by more than 120 million. And as to the individual, medical studies show that later marriage and childbearing contribute to maternal health. This is cause for reasserting the idea of "a longer interval between births."

Some delegates to the symposium noted the following: Delaying age of marriage and childbearing for rural women is very difficult, with one of the key factors being its conflict with marriage law regulations. Unless corresponding changes are made in the marriage law, the work will remain very difficult. As the lack of coordination between the marriage law and family planning demands for later marriage and childbearing have been a population control problem for decades, a solution needs to be found through better coordination.

### **2. On Strengthening the Firmness of Population Control in the 1990's**

Some delegates pointed out that while strengthening the firmness of our population control in the 1990's will involve many tasks, the most direct and effective one will be carrying out a thorough rethinking of our population control methodology of the 1980's based on maintaining policy stability. The problem with our population control methodology in the 1980's was that it took relatively harder work to promote and ensure relatively easier work. As to relatively easier jobs (such as preventing more children in families that already had a son), our 1980's methodology lacked specific independent safeguard mechanisms. This caused the following two problems: 1) some areas completed neither difficult or easy tasks; 2) policy limits for difficult tasks were slightly adjusted, which also had an impact on the easier tasks that lacked independent safeguard mechanisms, so that our one-child policy of the 1980's was downgraded to a "1.5-child policy," which resulted in overall population instability. While such methods may have been fairly rational in the early 1980's, they have lost this rationale as our family planning has become more thorough, as well as having become one of the key factors in our family planning weakness and difficulty in adapting to changing circumstances. In the 1990's we will need to achieve a relative separation of work results from easier and more difficult jobs, by paying full attention to strengthening the forcefulness and firmness of the easier jobs. In fact, upgrading the easier jobs in less developed areas in the 1990's (such as essentially halting "more births in families that already have a son" in less developed areas) will result in a firmer achievement of China's population control objectives. Other delegates noted the following: We need to combine the situation of "those at the upper levels putting out policies, which



those at the grassroots level find ways of countering" with the 1990's role and application principle of "one vote veto," by discussing specific methods of using the "one vote veto" to strengthen the assessment force of limitation quotas against "more births in families that already have a son" and others (such as tube-tying rates). Premised on stable policies, strengthening the assessment power of such quotas could be a great guide to consolidation of such jobs at the grassroots level, by helping to achieve a relative separation of work results from easier and more difficult jobs. This would have a diverse impact in helping us to achieve our population aims for the 1990's, by strengthening the firmness of our family planning work and changing conditions so that we can adapt our family planning work to the coming general reform and opening trends;

### III. A Discussion of Our Population Control Patterns

The comrades engaged in frontline family planning work summed up and briefed the symposium on the population control patterns and experiences of many areas. Some professionals and academics teamed up with local functional departments to sum up population control patterns in certain regions. The participants commented that while all regions have varying economic and cultural backgrounds, so that the population control pattern cannot be the same everywhere, all successful patterns of any region are linked to local government emphasis on family planning, and all of the more advanced experiences of any region reflect a local family planning trend of gradually combining administrative measures with economic, educational, and legal ones, as well as with social service mechanisms and social restraint forces. The participants were very interested in the briefings and discussions of family planning patterns of all areas. The symposium heard briefings on population control patterns in certain economically advanced areas, poverty-stricken areas, and mid-level-development areas, with southern Jiangsu and Dongyang and Jinhua cities in Zhejiang being in the first category; Anhui's Huangshan, Sichuan's Mianzhu County, and Jishui and Linyi counties in Shanxi in the second, and Sichuan's Ya'an, Lezhi, and Huaying, Hubei's Yingshan, Enwei, and Macheng, Anhui's Jinzhai County, Jiangxi's Nancheng County, and Cangxi County in Shaanxi's Bashan Mountain District in the third. The Hainan Provincial Population and Social District Multipurpose Development Experimental Zone also briefed the symposium on its experiences, arousing great interest among the participants. And comrades from the Hunan Province, Zhuzhou City, Hunan; and Mudanjiang City, Heilongjiang family planning commissions also briefed the symposium on their respective experiences.

#### 1. The Southern Jiangsu and Hainan Population and Social District Development Experimental Zone Patterns

The southern Jiangsu and Hainan Population and Social District Development Experimental Zone patterns aroused much interest among the participants because

they tied population control closely to economic development. Comrades from the Suzhou Municipal Family Planning Commission introduced the southern Jiangsu pattern's specific control features, such as adaptable, directed, scientific, leading-edge, serviceable, public, exemplary, and developmental, pointing out that hoping for a spontaneous drop in the birthrate from an economic perspective was divorced from China's conditions. The southern Jiangsu pattern's key lesson is that economic development needs to be emphasized along with population control. Certain scholars pointed out the following about their studies of the southern Jiangsu pattern: Economic development and urbanization played a key role in the evolution of the southern Jiangsu pattern. The general law is that economic development achieved on a low foundation not only does not cause the birthrate to fall, but may cause it to rise instead. For instance, this was the case in Wenzhou and the Zhu Jiang (Pearl River) Delta. This is why the southern Jiangsu pattern requires its own unique regulation and control mechanism—"balance of interest" forces. And in addition to government emphasis on family planning, collective economic development is a key guarantee of the ability of the "balance of interest" population control forces to operate in southern Jiangsu.

The participants paid high praise to the Hainan Population and Social District Development Experimental Zone pattern methods. While work in this area has just gone into operation, it is undoubtedly a very good beginning. This experimental zone has assimilated successful social development experiences from China and abroad, in an attempt to fuse population growth with economic, social, and scientific development, in order to bring about a conversion of the childbearing views of local residents, so that social development gradually gets into a good cycle. The participants pointed out the following: Under our current conditions of reform and opening, work in experimental zones teaches us lessons, so that doing a good job of experimental zone development will provide new patterns and experiences for China's future population control methodology. Experimental zones can take advantage of their SEZ standings to conduct bolder explorations of population control mechanisms. For instance, they can focus their efforts on exploring easy and high-pregnancy-rate childbearing control methods, which are suited to their original experimental zone plans, so will certainly achieve good results.

#### 2. An Introduction to Other Experiences

Comrades from the State Family Planning Commission's Policy Law Department briefed the delegates on the adjusted population control methods and rhythms used by Mixian County, Henan to quickly change its backward family planning practices, which aroused the participants' interest. In order to change the "shock tactics" used in some areas, the delegates indicated the need to enhance family planning in small village groups. Mianzhu County, Sichuan gave a briefing on the importance of its experience in setting up stable village work networks. And experiences, such as Shijiazhuang City's

in enhancing its industrial-commercial family planning coordination to control floating population, and northeast China's Liaoning Province's in centralizing households, all aroused the participants' interest.

The delegates also discussed matters, such as stronger propaganda and indoctrination, setting up a population control coordination agency, enhancing the status of women, guiding peasants to legal autonomy through "self-education, self-control, and self-service," controlling the "concealing of pregnancy" phenomenon, and combining family planning with poverty relief. As four-fifths of the peasants in the two Zhejiang cities of Jinhua and Dongyang have already transferred out of agriculture, some delegates pointed out that these places could practice "coordinated rural-urban" control. [passage omitted]

## AGRICULTURE

### Ministry's Rural Economic Research Center Report

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[Report by the Ministry of Agriculture's Rural Economic Research Center, edited by Zhang Qingzhong (1728 1987 1813): "Peasant Income, Structural Adjustment, Market Development—China's Key Rural Reforms in the 1990's"]

[Text] *Editor's Note: Peasant income, structural adjustment, and market development are the three key factors that affect overall rural economic growth. The Ministry of Agriculture's Rural Economic Research Center has thoroughly studied, demonstrated, and pointed out that they will be China's key rural reforms in the 1990s. The following article is its major report on the key tasks that it will take up during China's Eighth Five-Year Plan, which is being published here for study and reference purposes. [end editor's note]*

China achieved agricultural successes in the 1980's that attracted worldwide attention, mainly due to the household responsibility system of linking remuneration to output in rural areas and a series of reforms based on it. The "Resolution" of the Eighth Plenary Session of the 13th CPC Central Committee has fully affirmed these rural reform successes and experiences of the 1980's, as well as clearly indicating the necessary direction of continuing to deepen our rural reforms and expand our rural successes. If we can implement the spirit of this "Resolution," by grasping these key rural reforms of the 1990s, we will be able to push our agriculture and rural economy to a new stage of development, which will pave the way for reaching our goal of making everyone throughout China comfortably well-off by the year 2000. There has been much debate throughout China recently over our rural economic reform experiences of the 1980s, the gradual emergence of certain major deeper

problems in the last half of the 1980s, and the development tasks that we are facing in the 1990s, on which we are presenting certain basic views.

### I. On Achieving a Synchronized Increase in Both Supplies and Incomes

1. A glaring problem in our rural economic development in recent years is that our overall agricultural product supplies have increased, while our peasant incomes have essentially stagnated. From 1989 to 1991, the per capita peasant net income throughout China rose from 545 yuan to 708 yuan which, adjusted for inflation, was a per capita real income increase of only 12 yuan, for a growth rate of only 0.7 percent a year. Meanwhile, at constant prices our rural per capita output value grew at an average rate of 5.4 percent a year for agriculture as a whole, 2.2 percent for grain, and over 6 percent for other key agricultural products, such as cotton, oil-bearing crops, sugar, meat, poultry, eggs, milk, fruit, and aquatic products. Such an increase in agricultural output with no or little corresponding increase in peasant income was unprecedented during our first decade of reform, as well as being a rare phenomenon ever since the founding of the PRC.

2. This phenomenon is generally considered to be a result of the following two factors: 1. Irrational agricultural product prices. For instance, in 1989 our agricultural product procurement price index was 15 percent higher than in 1988, while our rural manufactured goods (including agricultural capital goods and manufactured consumer goods) retail price index was 18.7 percent. In 1990, our peasant's overall selling prices for agricultural products dropped for the first time since reform, being down 3.5 percent from 1989, while our rural manufactured goods retail prices were up 4.6 percent over 1989. In 1991, the situation continued to deteriorate, with our agricultural product price index falling another 2 percent, while our rural manufactured goods price index rose 3 percent. So the price-change factor brought our peasants about 75.6 yuan per capita less income for more output in their exchange of agricultural products for manufactured goods during these three years. 2. The impact of the improvement and rectification of the national economy since 1988. As rural nonagricultural products were curbed, the part of our peasant per capita production-type net income from nonagriculture fell 25 points in comparison to its growth rate of the previous eight years, for an average three year growth rate of only 6.3 percent. Our ratio of nonagricultural income to production-type net income increased only 0.1 points during these three years, remaining essentially at its 1988 level.

3. We believe that these factors are only short-term, direct ones that show the poor growth of peasant income, and that other deeper factors are the real cause of the slow growth of peasant income.

We have gradually come to accept the reality that peasant income growth rates are becoming increasingly

dependent on rural nonagricultural development speed and efficiency. This means that our current rural agricultural production structure is no longer able to bring faster peasant income growth. We believe that this widespread understanding has the following objective bases:

A. China's agricultural production supplies have undergone a change of stages since reform and opening, the basic feature of which was a change of agricultural products from widespread shortages to a basic balance of market supply and demand. In the initial reform stage, the household responsibility system sparked an enormous amount of peasant production initiative, bringing their original agricultural production potential into full play and our agricultural growth rates above normal. Such above-normal growth was closely linked to our huge agricultural product market shortages. But since we entered the stage of market balance, our agricultural product production and supply have been restrained by market demand, with agricultural growth rates no longer determined ultimately by peasants as the supply side, but changing to normal growth subject to market forces. And output and income increases are no longer a simple corresponding relationship. The amount of products produced does not depend simply on peasant production capability, but rather on market supply and demand, so that increased output beyond market demand results in increased output with no correspondingly increased income;

B. As to agricultural product demand, once people get beyond the stage of basic food and clothing, there is very little flexibility in agricultural product demand. The statistical data of recent years shows that the Engel's coefficient of China's urban and rural population has begun to fall. As incomes increase during the transition from the stage of having enough to eat and drink to becoming comfortably well-off, while overall food consumption may continue to increase, its percentage of overall consumer spending will clearly decrease. Meanwhile, even in food spending, people's demands for commodity variety and quality will increasingly rise, to which the agricultural production structure must adjust;

C. As agricultural products are increasingly exchanged on markets, market competition becomes increasingly sharper. Once China officially recovers our standing as a member of the GATT, our agricultural product markets will become steadily more international. China's current prices for major agricultural products, such as grain, cotton, cooking oil, and sugar, are already near or even higher than international market prices, while we have no competitive advantages as to price, quality, or variety in many other products. While opening up our agricultural product markets to the outside world will bring us new agricultural growth opportunities, it will also put multilateral and long-term pressure on our agricultural product supplies.

The impact of these factors will make increased peasant income a problem of long-term difficulty.

4. Long-term slow or stagnant growth of peasant real income will have a series of adverse effects on peasant living standards, rural economic growth, national economic circulation, and even urban-rural relations.

This income stagnation decreased peasant per capita spending on short-term production-investment household operations for 1989, 1990, and 1991 (excluding inflation) 4.1 percent, 7.9 percent, and 0.8 percent, respectively, in comparison to 1988, while reducing even more their per capita spending on long-term production-investment purchases of fixed assets (excluding inflation), which were down 22.2 percent, 35.4 percent, and 18.2 percent, respectively.

In 1991 our national retail commodity sales amounted to 941.56 billion yuan, of which the rural share was down 3.2 points from 1988, meaning that peasants bought 30.1 billion yuan less commodities. So as to our 3-year manufactured goods market slump, in addition to problems, such as our commodity structure and quality, the major factor was the drop in peasant purchasing power.

Unless our peasant income grows in a steady and sustained way over the long term, this will be bound to have a serious impact on the realization of our goal of urban and rural prosperity. The concerned experts and academics have demonstrated that in order to achieve our goal of rural prosperity by the year 2000, our peasant per capita net income at 1990 prices should reach 1,100 yuan, which will mean a growth rate higher than 4.8 percent for the 1990s.

But as this income essentially stagnated in 1990 and 1991, its growth rate will have to exceed 5.2 percent for the rest of the decade. In addition, being comfortably well-off cannot be determined simply by the absolute amount of peasant income, but also depends on shrinking the urban-rural income gap. During our initial reform period from 1978 to 1984, the income gap between our peasants and city dwellers shrank year after year from 1:2.4 down to 1:1.7. But since 1985, it has begun to steadily expand, reaching 1:2.37 by 1991, basically returning to its pre-reform level.

Peasant income remaining at a low rate of growth will also be bound to affect our rural educational, cultural, and personnel development, as well as the general improvement of our peasant quality, which in turn will affect the overall quality of economic and social living standards.

5. Agricultural product supplies are putting great pressure on our long-range agricultural development strategy. While ensuring supplies has always been the major aim of government agricultural policy, peasants can increase supplies only if they earn more income from a microeconomic perspective. Low peasant income expectations will make it very hard for the government to realize its supply aims. Since the mid-1980's, supplies and incomes have clearly been in conflict, which has affected our overall rural economic growth. Our rural economy since 1978 can be roughly divided into the

following three periods: 1978 to 1984, a period of increased agricultural output and incomes; 1985 to 1988, a period of agricultural stagnation with increased peasant income; and 1989 to 1991, a period of increased agricultural output but stagnant peasant income. In the first period, as agricultural products, particularly staples, such as grain, cotton, and cooking oil, were in severely short supply, increased supplies by peasants brought correspondingly increased incomes, so that supplies and incomes were more consistent, and peasant income growth was more balanced among households and regions. In the second period, once a balance of supply and demand was reached for major agricultural products, such as grain, cotton, and cooking oil, marginal utility decreased and peasants were driven by income aims, beginning to adjust agricultural product mix and the rural industrial structure according to market demand, expand cash crops, develop the livestock raising and aquatics industries, and in particular speed up their development of township industries. While this maintained a steady growth in peasant income, the existing gap between structural adjustment potential and capability meant that even though peasants earned more income generally, the income gap between regions and households widened. Since 1989, while governments at all levels have taken stronger steps to ensure supplies of key agricultural products, by curbing rural economic structural adjustment, for which peasants have paid a great price while increasing supplies, incomes have certainly not risen due to increased output. And as these government steps have been wide-ranging, the stagnation of peasant income during this period has been general in scope.

6. Past experience shows that ensuring steady rural economic growth means dealing correctly with the relationship between increased market supply and higher peasant income. In the next eight years of the 1990s, our basic rural economic mission should be to continue to deepen our rural reforms, by rationalizing the long-range growth forces of our rural economy, and avoiding an overemphasis on either supplies or incomes, in order to ensure that both agricultural product supplies and peasant incomes grow at a steady, sustained, rapid, and synchronized pace.

## II. Adjusting the Economic Structure By Speeding Up Technical Advances

1. Ensuring the steady growth of peasant income can be achieved through a. adopting a price protection policy toward key agricultural product supplies and b. taking advantage of technical advances to push forward agricultural and rural economic structural adjustment.

Most of China's agricultural product prices have now reached the right level, with the prices of the vast majority of our agricultural products being determined by market supply and demand. While the prices of certain staple products are still somewhat controlled by the state, they are actually already very close to market

prices. Opting for a price protection policy would actually mean the state putting out the money to support agricultural product prices that are higher than market prices, in order to raise peasant income. In such income-type price protection, if price increases are not clear, key peasant investments will still favor industries other than the protected ones. And if there is a clear profit, and peasants really focus on agricultural investment, a general, large-scale overstocking of agricultural products will become a long-range problem that will grow steadily in intensity. North America, the EC, and even Japan all took such policy steps to induce agricultural investment, which resulted in huge financial subsidies on one hand, while creating large agricultural surpluses on the other, to create a great waste or inefficient use of economic resources. Such a course would obviously be too high in cost for a still developing country like China. China's rural areas have too much manpower and too little land, so are saddled with severe unemployment. The word "peasants" is quite unclear in meaning and includes many who are unemployed. Most peasant households are underemployed, with the workers engaged mostly in agriculture in rural areas working less than 100 days a year. With such a huge number of underemployed farmworkers, it would be very hard to adopt a price protection policy to ensure their incomes. China's hurrying at the present stage to take large-scale income protection steps would not only make it very hard to achieve our aim of really protecting agriculture, but also might raise the cost of converting our rural workforce, making development of nonagricultural industries inefficient. So weighing all of the factors shows that the use of price protection measures to achieve peasant income aims is at least unfeasible at present.

This leaves our only feasible option to adjust our rural economic structure, including product mix and industrial structure. Through pushing technical advances and making full use of our agricultural product mix adjustment potential, we can truly turn our agriculture into an industry of "quality, high-yield, and efficiency." Meanwhile, persisting in adjusting our industrial structure will lower our agricultural ratio of jobs to people, and promote rural modernization. Such an all-out structural adjustment will meet market supply demands, and ensure a steady growth of peasant incomes.

2. The years from 1985 through 1987 brought us a wave of agricultural product mix adjustments. From an overall perspective, those adjustments were mainly to correct our previous single-purpose agricultural structure of "taking grain as the key link in which to make an all-out clear-cut." As markets were so generally lacking, peasants could achieve better efficiency through engaging in almost any diversified economic operation. Once that wave was over, our diversified economic gaps were essentially filled, with selling difficulties of various degrees appearing for vegetables, fruit, meat, poultry, eggs, milk, and even cash crops. This signalled the end of our adjustment stage of expanding mostly through traditional technology. Once incomes went up, consumers

began to place new demands on quality. In recent years, certain high-quality agricultural products have been steady hot sellers, with newly developed products gaining a lot of market share, and the prices of high-quality and ordinary agricultural products beginning to widen on markets. This has been very clear not only for diversified economic specialties, but also for staples, such as grain.

Our major potential for agricultural product-mix adjustment is obviously in product variety and quality. As to our changing consumer trends, China's current per capita daily caloric intake has reached 2,900 kilocalories, far exceeding that of a developing country, while our average protein intake is still too low. This means that protein and diversified nutritional-component foods are going to be in sharp market demand. In addition, consumers are going to make higher demands on things, such as food freshness, packaging, and color. This means that in adapting to changing consumer trends, product-supply mix-adjustment must be combined with technology application and development so that, while ensuring a steady improvement in quality, we will focus on in-depth developments, in areas such as product variety and quality.

3. Rural nonagricultural industries still need to be developed faster. This not only will be a major source of future peasant earnings, but also will be the only way to solve our rural jobs problem, expand our agricultural economies of scale, and raise our agricultural economic efficiency. For some years to come, steady increases in peasant incomes will depend to a large extent on our rural nonagricultural development speed and efficiency. As to rural nonagricultural industries in the 1990s, in addition to continuing to encourage peasants to set up industrial manufacturing and tertiary industries, we should also focus on supporting manufacturing industries for all types of agricultural products. As our commodity economy gradually matures, agricultural product manufacturing industries will acquire an extremely important position, by linking peasants to markets, transmitting supply and demand signals, spreading all kinds of new technology, and applying all kinds of new technology to help peasants expand markets and production. In developed countries, final consumer prices on food markets are generally made up only 20-30 percent of direct raw material producer prices, with the rest of the profits coming in the manufacturing and sales links. So encouraging peasants to set up their own manufacturing industries can help them add value to their products through the manufacturing link, and thus earn higher profits, while linking peasants more closely to markets. This actually is already an in-depth development in agricultural product mix adjustment.

4. Product mix and industrial structure adjustments must be combined with a full utilization of regional advantages. China's rural areas are vast, with great differences in conditions, such as climate, phenology, industrial resources, and personnel skills. An "across-the-board" structural adjustment orientation would be bound to further widen regional gaps. It will be only rural

structural adjustment that is suited to local conditions, through tapping local potentials and taking full advantage of comparative advantages, in order to form specialized economic and externally-oriented zones with diversified structural features, that will enable all rural areas to generally develop their advantages through structural adjustment, without causing too wide regional gaps.

5. The real problem in rural industrial structure adjustment is how to speed up structural conversion of the working population. In comparison to industrial structural adjustment, the structural conversion of China's rural working population is relatively lagging. While China's township enterprises have grown quite quickly in the last dozen years, they have not basically gone beyond the bounds of rural communities, which has resulted in widespread part-time jobs. On one hand, township enterprises have not properly centralized and carried out tract development, which has affected their efficiency and growth rates. On the other, very little of the nonagricultural population has converted to nonagricultural jobs, and overcentralized agricultural operations have not basically improved, so that it has been very hard to disseminate or apply certain agrotechnologies that depend on the right land economy of scale.

A feasible way to change our lagging job structural adjustment would be to promote rural urbanization and the development of small township enterprise manufacturing zones. The right centralization of township enterprises can save on public facilities, while expanding services, to spur tertiary industry development. The experience of the Longgang Peasant City in Wenzhou shows that the method of establishing peasant towns through a certain amount of accumulation of township enterprises in a region with better infrastructures, is attractive to working peasants who have converted to nonagricultural industries, so can be gradually disseminated.

### III. On Speeding Up Development of Production Essentials Markets

1. In reaching our goal of structural adjustment, our traditional planning methods are no longer able to operate effectively according to market changes, so that we will be able to rely only on an improved market climate.

2. While our dozen years of reform have begun to evolve production stimulus forces for China's peasants, we are still lagging as to an optimum disposition of resources. So while we have made certain changes through adjusting our investment and job structures, we have not made any essential breakthroughs, and our order of "small but complete" and "large and complete" has not basically changed. The fundamental cause of this order is that our development of product markets and production essentials markets have not been synchronized. While China's agricultural product markets are now basically deregulated, our production essentials markets

for things, such as labor, capital, and land, are still far from having been correspondingly adjusted, so that we have too many circulation obstacles. Another factor is too much market fluctuation, with a lack of stabilization forces, unstable prices, and certain nonprice factors regularly causing regional blockades, which have kept us from evolving a nationally uniform market or bringing regional advantages into full play. These factors mean that peasants have only been able to make investment structural adjustments through marginal quantitative increases of original structures, so that it has been impossible to make very large or stable adjustments.

3. It is thus obvious that the main thrust of our rural reforms in the 90s should be to continue to deepen our product market reform, while focusing on speeding up our production essentials market development, in order to pave the way for and ensure an all-out and broader adjustment of our rural product mix and industrial structure and an optimum disposition of resources.

4. While our product market reforms began earlier than our production essentials market reforms, they are still faced with the following issues: 1. Nationally, about 80 percent of our agricultural products have been deregulated. Except for a few products that are still forcibly controlled due to special needs, such as ecology and resource protection, our agricultural products are essentially market regulated. A key problem at present is that certain products have not been thoroughly deregulated, with the problem of constant deregulations and then reregulations never having been basically solved. As to guiding ideology, some still believe that market regulation is suitable when things are in ample supply, but that administrative planning steps must be taken when they are in short supply, meaning that they still do not see market regulation as the basic force of a market economy. Certain sectors or regions act on pretexts, such as personal interest or special operations at every turn, to resume administrative planning measures, practice product monopolies, or take various regional blockade measures, which interfere with peasants' free access to markets. This means that improving product markets will require conscientious efforts to continue to deregulate markets. 2. While our product markets have been gradually deregulated, price stabilization forces have still not been established in a timely manner. As price fluctuations have been too great and frequent, peasant investment has been unable to keep pace, and consumers have been very dissatisfied, so that establishment of a price stabilization system is a matter of extreme urgency. Staple products, such as grain, should clearly be regulated directly by the state through means, such as establishing price stabilization funds and handling regulations. Other products should have market stabilization systems established at the discretion of local governments in the places where their production is concentrated. The central government should take a clear stand and provide detailed plans in this area. 3. We need to continue to deregulate market operations. There are still many prohibitions and restrictions on access to markets

by major diversified economic players, such as peasants, so that product markets are still not fully and openly competitive. The basic way to solve this problem will be to establish a sound exchange system with wholesale markets as the key link, by changing government circulation control from direct organization of product allocation and management to establishment of a normal market order through management and oversight of wholesale markets, in order to ensure that all major economic players can engage in fair, open, and full market competition.

5. The key to developing production essentials markets will be to promote the rational circulation of labor, capital, and land.

Labor markets. Free labor mobility has become a necessary trend of our rural economic growth. China's rural workforce now has some tens of millions in trans-regional circulation seeking livelihoods, with the direction of flow being toward cities as well as better-off rural areas with labor shortages, and the trades not only being limited to nonagricultural industries, but also including cultivation and breeding. Labor mobility is actually the basic way to bring regional advantages into full play, because it is only through workforce circulation that evolves more rational labor costs that regional advantages can be displayed. But as most of this mobile workforce is still unable to be properly deployed due to problems, such as individual and dependent residence registration, and so is in a state of illegality, it is impossible for it to be converted stably or to take root in the regions where there are new jobs. This is the major reason why township enterprises have been able to escape the land but never the rural areas. This means that the keys to labor mobility and a changed rural working population structure will be a reformed residence registration system, and explorations of new population control methods.

Capital markets. As our property rights system is unclear, a large number of public properties in rural areas are tied to populations that are dependent on the land, forming a closed, communal economy. This restricts not only free capital flow in search of maximum economic performance, but also rural population mobility, because once they leave the community, peasants lose the achievements that they have accumulated through past hard work and end up with nothing. An effective way to solve this problem would be to practice shareholding, allowing shares to be freely transferred within fixed limits, which would ensure the completeness of tangible assets, while protecting peasants' property rights.

Land circulation markets. Forming rural land markets will be even more difficult than solving the property problem. As the community social security system is tied to land production utilization, and our current land contract rights concept is very unclear, population changes frequently cause land contract changes, which make peasant land contract rights and commitments

unclear. Land management experts cannot acquire the right amounts of land, while peasants who have begun to work in nonagricultural industries are unwilling or unable to give up their ties to the land. We need to begin to solve this problem through lengthening land contracts, separating land management from social security systems, and allowing the compensated transfer of land contract rights, in order to speed up land circulation so that it gradually becomes concentrated in the hands of cultivation experts who can bring the efficiency of economy of scale into full play, so that farmworkers' incomes will increase considerably. While evolving the proper scale of land management through the circulation of land use rights will be a very long process, we must establish such circulation mechanisms now in hopes of speeding up the impact of circulation.

6. Once we have production factors markets, we also need to be able to effectively reorganize our production essentials management. This will mean promptly spurring market organization formation and expansion.

In a market-regulated macroclimate, economic organizations operate according to their own laws of composition and activity. China's rural areas have already seen the appearance of many kinds of production management and circulation marketing organizations. While most of these organizations have adopted voluntary forms of cooperation, there are a great many cooperative methods, such as cooperation mostly through labor unions, cooperation linked by information and technical service, and shareholding cooperation through conversion to shares of production essentials, such as labor, capital, land, and technology. All types of cooperative or joint specialized-operation entities and specialized forms of association are emerging in endless numbers. These flexible and diversified forms of cooperation are suited to the needs of commodity economy development, as they have brought into full play great economic efficiency and social benefits. This fully shows that what peasants want reformed is not the cooperative system per se, but rather the old single-purpose, standardized form of cooperation. Our traditional cooperative thinking needs to be essentially changed, in order to guide rural cooperative organizations to effective forms that will speed up commodity economy development. And community cooperative organizations that are tied to the land should also be constantly reorganized and improved in line with peasant commodity economy development needs.

In recent years, increasing numbers of peasant cooperative-operation organizations have distinguished themselves on markets. They have linked producers to markets, transmitted information, dispersed technology, organized transportation and sale, and even grown into manufacturing industries, having had a great impact on urban and rural markets. We need to take conscientious and feasible steps to protect peasants' direct access to markets through cooperative forms, so that they can more widely participate in circulation activities. Once peasants participate directly in market exchange in an

organized way, they will be bound to acquire clearer understandings of things, such as market laws, supply and demand relations, and price-formation mechanisms, and thus be more able to correctly determine their own directions and routes of industrial structure and product mix adjustments. Such participation in circulation will also naturally expand their operations into all sorts of manufacturing industries, bringing structural adjustment changes in greater breadth and depth. The most important thing at present is to ensure the legality of the market operations of such cooperative organizations.

The agricultural development form of combining companies with peasant households has made good momentum in recent years. Certain companies or enterprises have employed the form of providing technology, seed stock, feed, or manufacturing for agricultural tract development, which has both developed production of scale and passed on new technology directly to peasant households, to achieve very good economic and social results. If the state could grant these companies or enterprises the right amount of policy preferences to attract more investors to take part in agricultural development and structural adjustment, this would have an inestimable impact on our rural economy.

A key form of ensuring the rational realization of peasant producers' interests on markets is wholesale markets with open and fair exchange. While urban and rural agricultural product wholesale markets are now being built and expanded rapidly throughout China, most of them have not yet evolved an order that contributes to peasant exchange. Wholesale markets are basically places of activity by small retailers, who have already made product purchase deals with peasants before coming to such markets, so that peasants are still unclear about the exchange conditions or profit advantages of wholesale markets. Generally speaking, peasants have never taken part in wholesale market exchange activities. So our future wholesale market development direction should be to guide peasants in an organized way to supply goods for direct market exchange or commissioned agent exchange, so that price formation moves from the fields and roadsides to wholesale markets, in order to make price formation more transparent, evolve an open and fair exchange order, and ensure that peasants earn reasonable market exchange profits.

#### IV. On Conversion of Government Functions

1. In the process of pushing forward with a rural market economy, we will need to promptly convert our government functions. The three-way relationship among governments, markets, and peasants should be that governments regulate and control markets, which in turn, guide peasants.

2. From the center to localities, China's current government functions are essentially set up to meet the needs of the past centrally planned economy, with the functions of management, intervention, and direct organization of



operations being closely tied together. Economic stimulation according to past functions often meant deregulating markets bringing a loss of control, and exercising control leading intentionally or not back to the old path of direct intervention. This was the source of the saying that "overcentralization stifles, while deregulation leads to chaos." But since we have taken the path of a market economy, our major economic players have changed from governments to countless independently-operated peasant households, enterprises, or other business organizations. As these major operators are guided by markets to undertake many functions formerly arranged directly by governments, continued government performance of certain former functions of direct organization of operations would be bound to create unreasonable interference with markets and business organizations, which would block the development of a market economy. On the other hand, once a market economy order gradually appears, macroeconomic control and certain other fields will still involve many matters that the major market operators will not be able to handle or will handle poorly, such as market regulation and control, public facilities investment, and long-range development planning, which will require new government functions and correspondingly new means. In short, government functions will have to undergo quite a change to be able to stimulate the economy while helping to form an orderly market climate.

3. Our government functional conversion direction should be to weaken the functions of intervention and direct organization of operations, while strengthening functions, such as development planning, investment guidance, market regulation and control, and market oversight.

Current realities indicate that the following government control functions over agriculture and rural areas should be strengthened: 1. The drawing up of measures to guide and realize agricultural development plans. 2. Support for the construction of water conservancy infrastructures on farmland. Such long-range public investments can be undertaken only by governments through direct government investment or forms, such as subsidies, in order to attract and guide public fund investment to such projects. 3. Agricultural administration, such as legislation, quality control, epidemic prevention, and quarantine, for sectors such as farming, forestry, aquatics, and fishery. 4. Market control, such as market administration, price stabilization, handling regulation, and foreign trade balance. 5. Agricultural S&T and education, such as basic research and dissemination of applied agrotechnology. 6. Rural economic studies, such as monitoring of rural economic operations, studying and proposing countermeasure plans, and providing feedback on and assessments of all agricultural policy results. 7. Promptly collecting, publishing, and circulating information on agricultural conditions. 8. Poverty relief.

4. All government functions depend on support from all departments and organs to be carried out. As our current

government departments and organs derive their functions essentially from a planned economy, whose operating methods, management thinking, workstyles, and departmental interests are all quite fixed, converting government functions without a corresponding change of organizational structure would seem to be impossible. Based on the demands for new government functions placed by development of a rural commodity economy and the features of a full-scale transition to a market economy and, in order to ensure effective leadership of rural areas and agricultural work, we must consider setting up a comprehensive agricultural department. Such a comprehensive agricultural department would not only control agricultural production, but also should be able to effectively balance all relations, having the macroeconomic authority to fully implement central principles and policies on rural areas and agricultural work, as well as the corresponding actual operating methods to promptly work through economic means and take appropriate administrative measures, in order to manage, regulate, and control rural markets and guide peasant economic activities.

5. As to our rural work for the 1990's, in order to reliably complete our enormous mission of rural structural adjustment and grasp the key reform line of developing markets, particularly production essentials markets, we also need to pay attention to doing the following jobs well: 1. While taking certain policy steps and providing appropriate preferences to ensure industrial structural adjustment and market development, we must avoid "indiscriminate application" and control well the degree of adjustment. 2. We should launch diversified experiments, constantly sum up their experiences, and promptly disseminate successful methods. 3. We must do a good job of combining research with operations. We need to make all our rural work studies more practical, by coming up with more feasible plans. And we need to ensure that all operations proceed on the basis of repeated and full demonstrations, in order to reduce mistakes, avoid constant policy fluctuations, and improve government regulation and control performance.

#### Commentary Describing Current Problems, Tasks

93CE0256A Beijing NONGMIN RIBAO in Chinese  
23 Dec 92 p 1

[Commentary: "It Is Better To Assume a Serious Attitude Toward the Problems on Agriculture"]

[Text] This year we have sped up our pace of reform and opening-up throughout the country, bringing rural economic reform and development to a new stage. Overall, we have made a new breakthrough in reforming the rural economy, and as a result, both our agriculture and the rural economy have grown further. Following are principal signs in this regard:

—New measures to reform the grain pricing, procurement, and marketing system have played a positive



role in changing thoroughly the price-formation system for agricultural products, rationalizing the restructure of agriculture, and fulfilling the goal of optimum allocation of resources.

- Agricultural departments have set up facilities to serve agriculture and made every effort to extend their work to include pre-production and post-production services. This has boosted their capability to serve agriculture and farmers as well as strengthened and developed the socialized agricultural service system.
- It is estimated that the total grain output will approach the 1991 level. Production of cash crops has been stable, except for cotton and oil- and sugar-bearing crops which have shown a slight drop in output. Livestock and aquatic production has continued to rise.
- Township enterprises have restored their fast growing tendency. In particular, the curtain has been raised for vigorous development of township enterprises in the central and western parts of the country. The gross output value of township enterprises is expected to surpass 1.5 trillion yuan, achieving a growth rate of over 40 percent. The growth of output value is simultaneous with an improvement of operational efficiency, and an increase in foreign exchange earned through export. The employees of township enterprises will soon exceed 100 million.
- Farmers' income has begun to rise this year after remaining unchanged for three years. In analyzing the current situation, however, we should note that despite the further growth of agriculture and the rural economy, some profound factors that have long restricted and affected the sustained and stable development of agriculture and the rural economy have not yet vanished. On the contrary, some of these factors have shown a tendency to become evident or even intensified. While the reform of the pricing, purchasing, and marketing systems is pushing agriculture and farmers into the marketplace, no corresponding measure has been taken to protect the interests of farmers. The original purpose of agricultural departments in running service facilities is to remedy the problem of insufficient government funds to be spent in this field and to boost their own strength to provide all-round serve to agriculture and farmers. However, in some localities these facilities have been used by the local governments as a pretext to "wean," or "discontinue support," to the agricultural front. Moreover, expansion of the interests of government departments and local authorities have imposed additional burdens on farmers. Another problem is that agriculture is confronted with a trend of dual drain on its resources under the present circumstances where all localities are vying to establish special zones, development zones, and bonded areas. One is that large tracts of farmland are put to nonagricultural use. The other is the diversion of agricultural funds (even including funds for procurement of agricultural and sideline

products) to other purposes. Both have impacted the position of agriculture as the foundation of our economy.

Based on the above understanding and analysis, we believe that the current situation with respect to agriculture and the rural economy is relatively grim. It is better for us to take the achievements lightly and assume a serious attitude toward the problems.

Now, our agriculture and rural economy have the following major problems:

One problem is that some noteworthy trends of misunderstanding and improper practice have appeared about agriculture as the foundation of the economy. Many people think that our agriculture has passed the difficult period. Some even have this argument: In these years people always say that problems exist in agriculture, how come our grain output keeps rising? Some localities are wholeheartedly "soliciting foreign capital to promote their own development and establishing companies to earn money" with no time to attend to agricultural problems. The above phenomena indicate that in the minds of some departments, localities, and comrades, the conviction of agriculture as the foundation of the economy has indeed been shaken in varying degrees, either deliberately or unintentionally. These trends, if not given due attention and corrected promptly, will no doubt have a very harmful effect on the stable development of agriculture and the rural economy. They will also seriously affect the consolidation of our excellent situation of reform and opening to the outside world and the construction of a socialist market economic system.

Secondly, there is a striking problem on grain production. According to statistics compiled by the department concerned, this year the grain crop acreage has been cut by 24 million mu with drastic reduction noted in coastal areas. As for this year's autumn-winter sowing, there are "three reductions," namely reductions in the acreages sown to grain, oil-bearing, and green-manure crops. Of these, grain crop acreage has been reduced by more than 4 million mu, oil-bearing crop by some 9 million mu, and green-manure crop by some 7.6 million mu. Meanwhile, the problem of "difficulty in selling" continues to exist. In many localities, the market price for grain is generally lower than the government's procurement price. The grain market has remained sluggish, except for corn and soybean, which have picked up slightly in prices. On the surface, this is due to the slow progress of the government's grain procurement work caused by insufficient funds. But actually it is because of the following problems: In some localities large amounts of grain procurement funds have been diverted to other purposes. This has added to the insufficiency of the procurement funds, which were not liberally budgeted. Grain departments, already with large stockpiles of grain, are not enthusiastic about the grain procurement work. And local governments at various levels have no

protective price for farmers, not to mention a financial backing to guarantee the application of the protective price.

The third problem is the overly heavy burdens imposed on farmers. This has become a quite prominent and sensitive problem in our agricultural and rural work at present. The State Council promulgated a "Circular on Truly Lightening Farmers' Burdens" in February 1990 and "Regulations on Fees Paid by Farmers and Their Labor Management" in December 1991. Nonetheless, the farmers' burdens have not been put under effective control, but have become heavier according to a joint survey covering 19 provinces and autonomous regions conducted by the Ministry of Agriculture, the Ministry of Supervision, and the Legislative Affairs Bureau of the State Council. The contributions farmers have to make to the village reserve fund and the general fee they are required to pay to the township government far exceed the growth of their income for the same period and are more than what they can bear. As to the use of these contributions and fees, the common problems are: Some funds designated for productive purposes are used for nonproductive purposes, and some collective funds are spent and misused by fund-management departments.

The fourth problem is that the lack of ability for sustained development of agricultural production, a long-standing issue existing for years, has become even more apparent in the tide of rapid economic growth. First, farmland has shrunk considerably. It is estimated that this year the acreage of farmland used for establishment of development zones has exceeded 20 million mu. Second, the state has not increased its investment in agricultural capital construction, and the problem of inadequate agricultural infrastructure has not been effectively corrected. Third, the input of science and technology into agriculture is seriously insufficient, affecting to a great extent the research, development, application, and proliferation of agro-science and technology. It is hard to give full play to the program of "relying on science and technology to revitalize agriculture." Fourth, the relative efficiency of agriculture has declined remarkably. Based on the Ministry of Agriculture statistics covering 29 provinces, autonomous regions, and municipalities, the growth of the total rural economic income is estimated at 14.9 percent this year. The growth is 23 percent for the secondary industry and 15 percent for the tertiary industry. The primary industry growth is only 5 percent, and the income from crop growing has increased by a meager 3 percent. On the other hand, material expenses have soared by 18.3 percent, exceeding the total economic income growth by 3.4 percentage points. These expenses have accounted for more than 60 percent of the total income.

The fifth problem is that the present measures for macro-regulation, control, and management do not meet the requirements of the market economy. Agriculture is our weak production sector. Plus, our country still lacks a sound market system and adequate market information facilities for agricultural products, and our farmers

often act blindly in making production plans. For these reasons, we ask the government not to think that it can fulfill its responsibility just by pushing agriculture and the rural economy to the market. It should exercise more powerful and effective macro-regulation, control, and management over agriculture and the rural economy. Now, the governments at various levels have spread the agricultural and rural economic management function among different units and separated the regulatory and control responsibilities from the regulatory and control measures. As a result, production, supply, and marketing are out of line with one another. The current arrangements, from the management system to operational mechanisms, are incompatible with the needs of developing a socialist rural market economy.

The party Central Committee and State Council attach great importance to agriculture. In his report to the 14th National Party Congress, Comrade Jiang Zeming stressed: "Agriculture is the foundation of the national economy. We must continue to give first priority to developing it, and revitalize the whole rural economy." The State Council has made special arrangements to solve the questions of agricultural products procurement and the farmers' burdens. What we must do at present is to thoroughly implement the guidelines contained in the instructions of the party Central Committee and the State Council and adopt more effective measures to ensure the stable development of agriculture while switching to a market economy. This is necessary because it is not only a task to protect the farmers' interests and maintain the favorable trend of agricultural production, but also a cardinal matter concerning the national economy as a whole.

The most essential work at this time: First, we should ensure that funds for agricultural products procurement are made available to the departments concerned. "IOU's" issued should be cashed as soon as possible, and no more "IOU's" should be issued from now on. Departments concerned should make every effort to purchase those agricultural products that should be purchased according to the regulations. Second, unremitting efforts should be made to implement the State Council's "Regulations on Fees Paid by Farmers and Their Labor Management" so as to check the practice of imposing unreasonable financial burdens on farmers, such as indiscriminately apportioning expenses, collecting fees, and raising funds. Unreasonable burdens already imposed on farmers should be corrected as early as possible.

Next year is the first year when China will totally switch to a market economic system. Deepening the rural reform and guaranteeing the stable development of agriculture are not only a significant part of the construction of a market economy system, but also a material foundation for ensuring the successful change of the entire economic system. Therefore, next year it is necessary to gear up macro-guidance as well as regulation and control at various levels in reforming the pricing, purchasing, and marketing systems for major agricultural products,

especially grain and cotton. The protective grain price should be promulgated as soon as possible. In addition, we should study the questions of setting up a contingency fund against possible risks and perfecting the reserve system for grain and cotton. The "three links" measure [measure linking supply of low-price chemical fertilizers and diesel oil and payment of deposits with the procurement of harvest] in connection with grain and cotton should be improved so that farmers will receive direct benefits from these measures. There should be strict procedures for examining and approving applications for the establishment of development zones so as to control the use of farmland for such purposes. Under the condition of a market economy, commercial production bases are a foundation for guaranteeing a stable supply of agricultural products. They also serve as a basic state financial source from agricultural products. For this reason, the state should pool funds and material resources on building commercial production bases.

Agricultural departments should give full play to their role as functional departments of the government. They should beef up guidance for winter agricultural production and strengthen preparations for next year's spring farming. They should also step up the construction of a rural economic information system, pay close attention to the farm work and the situation of the people, promptly propose measures to solve their problems, give timely information to farmers about production, market, and advances in science and technology. In addition, they should make further efforts to implement the program of relying on science and technology to revitalize agriculture, improve the socialized agricultural service system, and make a success of all service projects in the countryside. Overseeing and controlling burdens on farmers is an essential function and task assigned to agricultural departments by the State Council. Agricultural departments should not only do this successfully, but also make an examination of themselves. They should review and check all their documents concerning farmers' burdens and pay special attention to guarding against and rectifying the practice of collecting unreasonable fees for services rendered to farmers. Agriculture is of prime importance and, as always, deserves the attention of party committees and governments at all levels. A major criterion for appraising the performance of principal party and government cadres should be to see what they did to help increase farmers' income and to reduce the burdens on farmers. At the present juncture of changing the economic system, the functions of agricultural administrative departments can only be intensified; in no way should they be weakened. Before a reform plan for the central organs is drawn up, local authorities, especially county authorities, should not arbitrarily close down or merge agricultural units or recklessly cut off connections with and "wean" their agricultural service units. No matter what pilot projects of organizational restructuring they are carrying out, it is of key importance to devote efforts to modifying the functions of the departments concerned so as to form a new setup that facilitates the all-round guidance, overall coordination,

and macro-management of the rural economy. In addition, it is necessary to gear up the formation of a legal system for agriculture. We should see to it that a "Basic Agricultural Law" and a "Law for Investment in Agriculture" are promulgated, and powerful and effective law-supervision and enforcement systems are established and made perfect as soon as possible on the agricultural front so that we may embark on the track of "managing agriculture by law" at the earliest possible date.

#### **Farm Machinery Information Center Forecast for 1993**

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in Chinese 19 Dec 92 p 3

[Article by Information Center of China National Agricultural Machinery Corporation: "How Should We View the 1993 Agricultural Machinery Market?"]

[Text] The agricultural machinery market is closely related to the development of the national economy. Three different views exist on the current state of our national economic development: The first view is that the development is rather normal and has not reached the "overheated" extent. People with this view base their argument on the following reasons: China's relatively fast economic growth is a positive and healthy phenomenon. Although price indexes are on the rise and a double-digit increase is noted in the price indexes for construction steel and other capital goods, which are leading indexes related to economic development, this should not affect the appraisal of the economy as a whole. The current fast economic growth conforms to the periodic law of economic development and is a release of the energy accumulated during the three years of improvement of the economic environment and rectification of the economic order. The second view holds that our present economy has begun to overheat. The main reasons: State-owned enterprises have low rates of selling profit and capital utilization, while their losses are high. The proportion of capital tied up by overstocks of products has gone up. Shortage of transportation facilities has become more acute. Too many new projects have been launched. The composition of fixed asset investment is irrational. Bank loans have grown quickly, while less money is withdrawn from circulation. The above phenomena lead to this conclusion: The current economy is abnormal. Insofar as both the essence and the mode of our economy are concerned, a new round of the process of "massive mobilization, too many projects, serious shortage, increased currency issuance, big price hike, and large-scale adjustment" has already started, as a matter of fact. The third view is that our current economic operations have both favorable and problematic aspects, and the appearance of an overheated economy is a possibility. Therefore, while the economy is developing rapidly, we should be alert against overheating and try to prevent big ups and downs in economic operations.

How should we forecast the agricultural machinery market in 1993? First of all, let us analyze the factors that affect this market. The state policy is a decisive factor in developing the agricultural machinery market. The party and state have attached importance to developing agriculture. They are implementing a long-term and stable policy of farm mechanization and carrying out the reform principle of deepening rural reform and stabilizing for a long time to come the contract responsibility system that links remuneration to output. The 14th National Party Congress has made a decision to build a socialist market economy. Accordingly, our rural economic development and reform will enter a new historical period. The rural market, agricultural machinery market in particular, will become more lively, and farmers will need an even greater variety of agricultural machinery. Meanwhile, governments at all levels are implementing a policy of putting emphasis on agriculture. They are giving priority to providing funds, fuel oil, and loans for agricultural development. Investment in capital construction is further expanding with more new projects being launched. Establishment of an agricultural service system and development of the rural economy are furthering the demands for farm machines and implements. And because of their increased income and relative easiness in obtaining loans, farmers will invest more in buying farm machines and implements. On the other hand, however, there are also unfavorable factors in developing the agricultural machinery market: In the first place, since the third quarter, sales of agricultural machinery have grown at a slow pace, and for some products, sales have declined in varying degrees. Demand in the agricultural machinery market is not strong enough. Reasons: This year some localities have witnessed a decline in grain and cotton production. What is more, the government was relatively short of funds to meet the need of grain and cotton procurement. Only in a few cases were the farmers paid in cash, and more IOU's were issued than ever. This has seriously affected the farmers' enthusiasm about production as well as their purchasing power. Meanwhile, prices of those items that farmers want to buy have gone up after adjustment, and there has been a rise in the prices of stocks and other securities. Children's tuition and miscellaneous school fees have also increased. Under the family planning policy, a penalty has been imposed on extra childbirths. Affected by these factors, the farmers' spending has to be distributed more widely. Secondly, agricultural machinery enterprises themselves have insufficient capital. They are overly dependent on debts to maintain their operations and are over-enthusiastic about investment in expansion projects. The turnover of capital funds is slow. All these have affected their normal production and operations. Furthermore, agricultural machinery enterprises have a low profit rate. The production profit rate for enterprises making agricultural machinery is roughly 3.5 percent, while the selling profit rate for agricultural machinery companies is only 1.3 percent. This means that their economic return is rather low. Thirdly, "small tractors and diesel engines" are still the main products on the agricultural machinery market.

Since adjustment of product mix is proceeding slowly, and few new products can be put on the market, it is very difficult to stimulate a new buying craze. Moreover, because of the restrictions imposed on use of tractors for transportation and the increased tax and fees levied on tractors, households owning tractors can only get a relatively low economic return. It is a certainty that farm trucks will capture some of the market presently enjoyed by small four-wheel tractors as a means of short-distance transportation.

The history of the agricultural machinery market shows three relatively big periodical fluctuations since 1981. The first one occurred in 1981 when the contract responsibility system that links remuneration to output was introduced to rural areas. At that time, there was a decline in agricultural machinery sales. The total sales volume for that year was 5.05 billion yuan. However, sales picked up in 1984 and 1985. The 1984 figure was 6.93 billion yuan, up 21.4 percent compared with the preceding year. In 1985, sales reached 8.13 billion yuan, 17.2 percent more than 1984. The second fluctuation occurred at the end of 1985—a sales slide caused by tight money supply. However, the period of this slide was relatively short, for the market took a turn for the better in 1987 and 1988. Sales in 1987 amounted to 11.3 billion yuan, or 37.2 percent more than the preceding year. In 1988, the figure rose to 16.04 billion yuan, a 36 percent increase over 1987. The third fluctuation came at the end of 1989. This was a spell of market sluggishness resulting mainly from the "double tightening" policy [policy of tightening expenditure and credit] and economic restructuring carried out by the state. The situation improved in 1991 and 1992. The 1991 sales amounted to 21.55 billion yuan, up by 26.9 percent. The sales volume for 1992 is expected to be in the region of 26.6 billion yuan, or an increase of about 23 percent. All the three periodical fluctuations of the agricultural machinery market were of the upward type. There was no big-fall-off year, though declined sales did occur in some localities for certain kinds of agricultural machinery. Also, there was no such case as a big increase in sales for three consecutive years. As a rule, when the first year showed a big increase in sales, the increase for the second year would be less than the first year, and in the third year the market would become stable with only a slight rise in sales. For each upward fluctuation, the quicker the rise, the quicker the drop, and vice versa. These were the characteristics of the three periodical fluctuations.

With regard to the external environment for the agricultural machinery market in 1993, China will restore its status as a contracting party to the "General Agreement on Tariffs and Trade" [GATT]. Joining "GATT" has both advantages and disadvantages; it will give rise to chances as well as difficulties. In negotiations for its "admission to GATT," China promised to revoke the regulatory tax on import of 18 commodities and to incorporate the regulatory tax on sedans and cameras into their customs duties. China also promised to reduce

the requirement for [import] licenses by two-thirds within three years. The agricultural machinery industry will not receive special protection. Inevitably, it will be subject to short-term difficulties and long-range influence caused by the above-mentioned circumstances. Furthermore, in 1993 the state will reduce by one-half its mandatory production quotas and will appropriately tighten the supply of currency. Rolled steel distributed by the state to the agricultural machinery industry will be reduced from 700,000 tonnes to 650,000 tonnes.

Based on the above analysis, the agricultural machinery market around the country will not show a negative growth in 1993, nor will there be any sharp rise or big ups and downs in sales. In view of the periodicity of market fluctuations, however, it is certain that fluctuations will occur on the agricultural machinery market. Nationwide, the general trend of the 1993 market will be as follows: Sales will continue to grow steadily. The situation will be better during the first half of the year than the second half. Brand-name and quality products will sell well, while sales of ordinary products will be moderate. Using the mathematical statistical method, we estimate that the 1992 sales will total 26.6 billion yuan with prices at a relatively stable level. As for 1993, our forecast incorporating adjustments based on the current market's influential factors is that the total sales volume of the Agricultural Machinery Corporation group nationwide will be anywhere from 28.6 to 31 billion yuan, the increase being between 7.5 and 16.5 percent. With regard to the varieties of agricultural machinery, there will be great demands for construction machinery, farm motor vehicles, farm trucks, and farm tricycle carriers, and supply of these items will become tight. Medium and small diesel engines will have a good market, and in particular, demands will pick up for 135-series and Model-490 and 485 diesel engines. Model-135 and 160 diesel engine-generator units will also enjoy a certain share of market. Market for crawler tractors and bulldozers will remain brisk. Supply of Dongfanghong 75 and 802 tractors will fall short of demand. Medium-power wheeled tractors, such as Iron Ox 55, Shanghai 50, and Changchun 40, will have a stable market with a slight rise in sales. Market for 25-horsepower tractors will continue to be moderate. The sales volume of large tractors will remain in the region of 50,000 tractors, showing a slight rise of 7-8 percent. Small tractors and walking tractors will continue to enjoy a relatively stable market with a sales volume of 430,000-450,000 tractors. Small four-wheel tractors will probably enter a period of sluggish sales and face a grim situation. Their sales will be between 420,000 and 450,000 tractors, showing a decline of 10-15 percent. Market for tractor-drawn farm implements will still be sluggish, but will be better than this year. Large tractor-drawn plows, harrows, and seeders and small tractor-drawn farm implements will have a better sale with an increase of about 10 percent. Sales of large combines will continue to rise, but the percentage of increase will be less. The sales volume will exceed 8,000 combines. Market will pick up for plant-protection equipment and mechanized threshers.

Market for spare parts used for agricultural machinery maintenance will continue to show a stable growth at a rate of 15 percent or more. A big rise is also expected in the sales of items used in developing diversified agriculture.

### **Agro-Machinery Conference Reveals Results, Trends**

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in Chinese 2 Dec 92 p 1

[Report by reporter Zhang Liang (1728 0081): "Sales Will Be Moderate on the Nation's Agricultural Machinery Market Next Year"]

[Text] A three-day national agricultural machinery trade conference for buyers to place orders closed on 13 November in Zhengzhou, Henan. According to incomplete statistics, transactions concluded at this conference totaled 6.5 billion yuan, surpassing last year by 16 percent. From the orders placed at the conference, it is predicted that the agricultural machinery market will by and large remain stable next year. Exports by the National Agricultural Machinery Corporation are expected to increase somewhat over this year. Brand-name and quality products will continue to be welcomed, while most products will have a moderate sale.

In an interview with this reporter, responsible persons of concerned departments of the Ministry of Machine-Building and Electronics Industry and Ministry of Materials and Equipment revealed the following: For the period from January to October this year, the nation's agricultural machinery industry registered a total output value of 37.32 billion yuan, up 26.1 percent compared with the same period last year. Exports by the National Agricultural Machinery Corporation totaled 22.8 billion yuan, exceeding last year's corresponding period by 24.8 percent. Generally speaking, production grew in step with sales. Since last July, sales of small four-wheel tractors and some other farm machines have shown a remarkable tendency to decline. Nevertheless, as a comprehensive result of the accelerated reform and opening-up process, fast development of the national economy, expanded scale of capital construction, and the state's increased input into agriculture, next year's agricultural machinery market across the country will remain stable without any big ups and downs. It is predicted that machines for farming will have a moderate or slow sale, while items used for construction and transportation and for carrying materials in the countryside will continue to enjoy a brisk market.

A pertinent responsible person of the China National Agricultural Machinery Corporation analyzed the trend of development of the nation's agricultural machinery market in the coming year. He said: There will be a great demand for construction machinery, farm motor vehicles, farm trucks, farm tricycle carriers, and their accessories. Market will be good for serial-135 diesel engines, model-490 and 485 diesel engines, and model-135 and

160 diesel engine-generator sets. Medium and small diesel engine-generator sets will also have a certain market. There will be a robust market for large and medium tractors and bulldozers. Supply of Dongfanghong 75 and 802 tractors and Dongfanghong 70 bulldozers will fall short of demand. Sales of Iron Ox 55, Shanghai 50, and Changchun 40 tractors will be stable. However, small tractors will be faced with a grim situation. Supply of small four-wheel tractors and walking tractors will exceed demand. As for small diesel engines, only brand-name and quality products (for example Changchai 195) will have some market; all other products will be hard to sell. Market will continue to be slack for farm implements used with tractors. Big and medium tractor-drawn plows, harrows, and seeders will have a poor sale. This year since production of large combines has exceeded demand, their market has been dull, and no much improvement is expected next year. Market for plant-protection equipment and irrigation and drainage machines will also be slack. Parts used for maintenance of agricultural machinery will only have a moderate market with the exception of Wuxi oil pump nozzles and Hangzhou gearboxes, which are expected to enjoy a good sale.

According to analyses made by experts at the conference, because of various factors, such as failure to eliminate the "three indiscriminate burdens" [indiscriminate fees, penalties, and levies imposed on farmers] in the countryside, the upward adjustment of agricultural

machinery prices, the opening of share and other securities markets, and the restrictions on use of tractors for transportation purposes, farmers are expected to reorient their spending. Since this will affect their purchasing power, the agricultural machinery market will be confronted with a relatively grim situation next year. We should not be unrealistically optimistic. Additionally, the market pattern of "more over-supply products and fewer short-supply items" will remain unchanged. It is reported that now some enterprises have shown a tendency of swelling overstocks. A few small-tractor plants already have excessive stocks equivalent to three or four months' sales, way above the normal level. Adjustment of their lines of production according to market demands is, therefore, imperative.

Addressing the opening session of the conference, Zhu Zhaofa, deputy director of the Machinery and Electronics Equipment Department under the Ministry of Materials and Equipment, gave a briefing on the development of the national economy and flow of materials during the period from January to September this year. He stressed the importance of establishing the Zhengzhou Agricultural Machinery Trade Market in China and expressed the hope that enterprises engaged in production and sales of agricultural machinery would warmly support the development of such national trade markets with a view to speeding up the cultivation and construction of the market system.

At the conference, some key agricultural machinery production enterprises exchanged their experiences in transforming operational mechanisms.

### **Reorganization of Roman Catholic Church**

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[WIDE ANGLE] in Chinese No 242, 16 Nov 92  
pp 16-19

[Article by Ming Hsin (7686 1800): "The Inside Story on the Reorganization of the Roman Catholic Church in China"]

[Text] The Roman Catholic (RC) Church in China, which has over 3.9 million members, held its Fifth Assembly in Beijing in mid-September 1992, at which it decided to reorganize its three national organizations into two, i.e. the Diocese and the Patriotic Council, with Bishop Zong Huaide [1350 2037 1795] presiding over both of these organizations, and the Church Affairs Commission becoming a church organization subordinate to the Diocese.

### **The Diocese Has Become the Real Roman Catholic Church in China**

Liu Bonian [0491 0130 1628], vice president of the RC Church in China's Patriotic Council and deputy director of its former Church Affairs Commission, comments as follows: The Church Affairs Commission, a national church-affairs leadership organization, was established at the RC Church in China's Third Assembly in June 1980, devoted to the resumption of church work after the cultural revolution. In these 12 years, the number of Chinese Catholics has grown to 3.9 million, far exceeding the figure of 2.7 million in 1949, with baptisms in recent years averaging over 50,000 a year. More than 3,900 chapels and places of public prayer have been reopened, and over 20 theological and priest-preparation seminaries of various sizes have also been opened. Since 1986, more than 420 have completed their studies at these seminaries and become priests, with over 740 now studying for the priesthood. In addition, there are also 37 convents throughout China, with over 1,200 nuns. The Chinese Church's clergy shortage has now been alleviated;

On this foundation, China's parishes have elected 75 of their own priests as bishops in the last dozen years. Of China's 113 current parishes, 68 now have bishops, with the rest having parish chiefs or officers.

Then, the bishops, assistant bishops, and advisory bishops from each parish organized the RC Church in China's Diocese, which has become the real RC Church in China, and which is responsible for the leadership of church affairs in all parishes throughout China, while representing the RC Church in China abroad in making goodwill contacts with RC churches in all countries on an equal basis. Since then, the Church Affairs Commission has no longer been a national church-affairs leadership organization, but has become a subordinate committee of the Diocese.

The Diocese's current presiding bishop is Zong Huaide (bishop of Jinan Parish in Shandong), with his deputies

being Jin Luxian [6855 7627 6343] (bishop of Shanghai Parish), Fu Tieshan [0265 6993 1472] (bishop of Beijing Parish), and Cai Tiyan [5591 7555 6678] (bishop of Shantou Parish in Guangdong).

Meanwhile, the RC Church in China's Patriotic Council is an organization composed of bishops, priests, and church members. But while neither of these two organizations, the Diocese and the Patriotic Council, is subordinate to the other, having a separate division of labor, they still consult with each other on key matters.

### **Foreigners Have Been Meddling in Chinese Church Affairs**

Liu Bonian, who is also director of the Liaison Department of the RC Church in China's Patriotic Council, notes that this reorganization is a result of the excellent success that the RC Church in China has made in the decade-plus since it has resumed operation, which further reflects the Chinese Catholic Church's tradition of democratic operation, while contributing to the preservation of its policy of church independence.

### **Bishop Zong Huaide Says That Foreign Forces Are Trying To Reassert Their Control Over the Chinese Catholic Church**

Liu Bonian comments as follows: Bishop Zong Huaide emphasized in his work report at this assembly that foreigners are certainly taking advantage of China's policy of opening up to the outside world, by taking a variety of steps, in an attempt to reassert their control and domination over the RC Church in China.

Before 1949, the Vatican in Rome had divided the Roman Catholic Church in China into 20 church provinces of 143 parishes, with only three Chinese archbishops and a little more than 20 Chinese bishops, and all of the remaining more than 100 archbishops and bishops being foreigners. But since Father Wang Liangzuo [3769 5328 0146] launched his independence movement in Sichuan Province's Guangyuan County in 1950, China has gradually recovered its church independence, breaking free from control by the Vatican in Rome. Then, in 1981, the Vatican in Rome again appointed on its own Deng Yiming [6772 0110 2494] as Archbishop of Guangdong Province, in addition to secretly appointing bishops and priests in certain localities, which has aroused opposition by the Catholic Church in China.

Liu Bonian notes the following: As the Church in all countries is part of the Body of Christ, the Roman Catholic Church in China wishes to expand its foreign contacts on an equal standing. In the last five years of so, the Roman Catholic Church in China has received countless numbers of foreign public figures, such as the legislative leader of Italy's Roman Catholic Democratic Party, a famous Brazilian theologian, and the Archbishop of Tokyo, Japan, in addition to sending many groups abroad. After attending international religious



peace conferences in Europe in October 1991 and September 1992, officials of the Roman Catholic Church in China visited Rome without difficulty both times. At the 11th Asian Games, Beijing Parish set up a small temporary chapel at the Asian Olympics Village, to which it assigned four priests to provide spiritual counseling. In April 1992, on a visit to North Korea, where the church had just resumed operation, Bishop Zong Huaide also presided over a Holy Mass at the invitation of the Chapel of Eternal Devotion in Pyongyang.

#### **The Roman Catholic Church in China Is Standing on Its Own Feet and Doing Many Good Works**

Liu Bonian remarks as follows: As the RC Church in China is resuming and expanding its activities, church activities in all localities are developing rapidly, with church members increasingly gaining in faith and doing more good works. Over 3,000 priests and church members have been designated as national, provincial, and municipal advanced models, with 960 having been selected as NPC delegates and CPPCC members at all levels. Some church members have gathered together to live in villages that are called "enlightened villages."

Church self-sufficiency is also growing in all localities. Certain places have taken advantage of policies to reclaim church property, as well as making use of national preferential policies and church members' own intellectual advantages to set up various types of social welfare facilities and economic entities. For instance, the after-school classes in foreign languages and cultures at Shanghai's Guangqi (Glorious Enlightenment) School and Beijing's Xiangbo School are known far and wide. This is in addition to other church-run facilities, such as health recovery centers, clinics, old folks' homes, kindergartens, guest houses, and tailoring workshops. The Tianle Hotel run by the Catholic Church in Changzhou is even an advanced collective in Changzhou's public order.

#### **Bishop Zong Huaide Has Called for Stronger Overseas Friendship Contacts**

Bishop Zong Huaide also appealed at this assembly for churches in all areas to make stronger overseas friendship contacts, in order to help the relevant departments import funds, technology, and management expertise. During the 1991 flood disaster, the Patriotic Council in Jiangsu Province and Nanjing City solicited hundreds of thousands of yuan in contributions from RC churches in Hong Kong and Macao for the disaster areas.

#### **Plans Are Being Made for Masses To Be Said in Chinese**

Liu Bonian also reveals the following: The RC Church in China is providing its members with increasingly abundant supplies of Bibles and religious materials. It has issued new books and tapes, such as Mass books, "Old Testaments," "hymnals," "church-member daily-lesson books," and all types of "hymnals." It sells more than 10,000 copies of each issue of its publication, CHINESE

CATHOLICISM. All key parishes now have classes in key tenets of faith and scripture reading. The Beijing Patriotic Council's "Heavenly Love Choir" has performed for the public many times.

In order to do a better job of getting the Gospel out to its members, the RC Church in China is basing its actions on Catholic rites reform in all countries and China's particular conditions, by speeding up its reform so that the Chinese language will be used mostly in its rituals. It recently sent two priests abroad to study rites reform.

Since the recent assembly, all parishes have been making plans with the leadership of the Diocese for Masses to be said in Chinese.

#### **New Seminaries Throughout China Are in Official Operation**

My talks with Liu Bonian were held in the RC Church in China's Patriotic Council building on Liuyin Street in West Beijing. This is just one block from the picturesque Gongwangfu, being the former site of the Roman Catholic Furen College's Siduo Academy, and also the original site of the post-cultural revolution Roman Catholic Church in China's Theological Seminary, which has now moved to a new address. The new seminary is located on Changwa Street in the West Haidian District's Ring Road #3, having an area of over 5,000 sq m, a five-story structure that combines traditional and contemporary styles, and a tall cross on its roof.

Since all of its old students graduated at the old site in the summer of 1991, 65 new students from all over China have been studying at the new seminary since 6 May 1992. They come from 14 provinces, municipalities, and autonomous regions, with some even being Tibetans from Xizang. They were selected from over 100 applicants after meeting written and oral requirements. While the new seminary can accommodate 200 students which, according to the original plans for a four-year system meant enrolling 50 a year for four years, the enrollment plans were already exceeded in 1992 due to demands from all areas.

The RC Church in China's Theological Seminary officially began recruiting students in October 1983, and has now enrolled two classes amounting to more than 100 students, of whom 43 have now become priests. When they graduate, they return to their parishes, which decide on their disposition. In addition to studying theology, they also study subjects, such as the history of Chinese and foreign philosophy, and foreign languages.

#### **Swelling Ranks of Monks, Nuns Studied**

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10 Dec 92 p 60

[Article in column "Many-Faceted China": "Three Reasons for the Fervor for Monastic Life"]

[Text] At present, as there is a growing fervor among the urban youths to go overseas, there is among the rural youths a continuous undercurrent toward entering Buddhist temples as monks and nuns. Since religious life has started up in the 1980's in the temples located in the various scenic spots of the country, newly recruited youths make up around 60 percent of the monks and nuns, the overwhelming majority of whom come from the villages. The various temples have more disciples than their regular establishment called for and are thus "full up."

Every year, a profusion of letters, like snow flakes in a snow flurry, flutter into the temples requesting acceptance as monks or nuns, and some overzealous ones are not deterred by long treks across the country to personally implore the abbot to accede to their requests, swearing that they would make martyrs of themselves if not admitted to the monastery, and thus forcing the temples to accept them. The Shaolinsi Temple, for a time forlorn and forgotten, has again been restored to fame because of the movies made about it, and has become as crowded as a marketplace with people seeking to enter as monks, so that regular religious activities were at times held up because the monks were put to indescribable trouble with reception and placement work.

The relevant authorities at such places as the location of the Nanyue and Hengshan Buddhist Societies have made some sample surveys of those who in recent years have applied by letter or in person for entry into monasteries and of a portion of the youths that have been accepted by the monasteries as monks and nuns, to find out the actual reasons for this fervor for monastic life. As a result of this survey, it has been found that there have been roughly three reasons for youths from rural areas to seek monastic life:

First, disappointment in love. Most of this type are girls who have been jilted by their lovers after such young men had gone to the cities or joined the military and had been promoted to cadres. This made the disappointed girls feel that their dreams of the greatest human happiness had gone up in smoke, that life had become a sham, and that it would be better for them to enter a Buddhist monastery. For them their love had been all that there was in life, and their sentiments had the better of their reason.

The second type are the "losers." They are mostly persons who failed in university entrance examinations, who had suffered serious setbacks in business, who tried to get out of agriculture but saw no way to do it, who as a consequence saw their ideals shattered, and saw their lives become dreams without anything to hold on to, spiritually, so that they finally took the monastic vows. This type of people are mostly graduates from rural middle schools; they had pinned all their hopes of becoming urbanites and eating commodity grain, and also to get promoted to cadres, on passing the entrance examination to an institution of higher learning. Once they failed to pass the examination, they felt distressed

and under various pressures, and as they did not dare face the social realities, also had no wish to be forever living in the villages, they ended up hoping to find peace and quiet behind the doors of a Buddhist monastery.

Then there is also the "escapee" type. Some persons are unable to endure any longer the spiritual cruelty that they had to suffer in domestic strife, some escape the marriage arrangements forced upon them by their parents, some escape being pressured into studying by a family who expects to raise a genius. These persons cannot get any warmth in their actual life, so that they turn to the Buddhist monastery for protection and refuge.

There are also the "escape-from-poverty types" and "the lazy types." Because of economic poverty and backwardness, in addition to indiscriminate procreation, large crowds of children are clamoring for food, which the parents are unable to provide, and they are therefore sending them to the monasteries to find their sustenance there, and thereby also reduce pressure on the family. Many rural youths do not want to go on cultivating fields, and as they see presently that incense is again profusely burned in the monasteries, that the "charitable and pious" line of business is flourishing, also seeing that people in the cities and towns eat "standard commodity grain," it all makes them psychologically desirous of ease, comfort, and enjoyment of the good things, and they will then ask to be allowed to enter a monastery.

Many monks and nuns are not in the best physical condition; their main physical complaints are dizziness, palpitations, insomnia, and loss of appetite. On repeated examinations, they have been diagnosed as suffering from undernourishment due to the prolonged vegetarian diet, and that they also suffered from mental distress, ailments for which there is no medicine. Seeking refuge in a Buddhist monastery to escape the conflicts and frustrations of real life is disastrous for mind as well as for body.

#### Recent Development of Post-Doctoral Flowing Stations

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OVERSEAS EDITION in Chinese  
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[Article by Liu Chun (0491 6511): "The Successful Trend of China's Post-Doctoral 'Flowing Stations'"]

[Text] At present, China has 156 institutions of higher learning and scientific research institutes which have established 278 post-doctoral "flowing stations" [stations facilitating voluntary and free interdisciplinary research by post-doctoral scholars and scientists], and has 952 post-doctoral scientists working on projects in the said stations. Many well-known specialists and professors believe: "The inception of the Chinese post-doctoral system was a farsighted strategic decision, a first and successful experiment, drawing a lesson from foreign

experiences, as it is also a successful way of nurturing young scientific and technological talents of the highest caliber.

In the autumn of 1985, the first doctoral flowing stations were set up in Beijing and Shanghai. A group of young recent recipients of doctor's degrees, coming from certain institutions of higher learning in the United States, Britain, France, Japan, Australia, and from similar institutions and research institutes in China, joined the said stations on the recommendation of two scholars with doctoral tutoring authority. Those who had joined the said stations cherished the sincere desire to work for the development of China, and they became China's first generation of those fortunate enough to benefit from the system of post-doctoral flowing stations.

Presently, the 278 post-doctoral flowing stations, distributed among 29 large and medium cities throughout the country, covering 42 top-ranking subjects within the five disciplines of science, engineering, agriculture, medicine, and jurisprudence, involve all those units in China that are authorized to confer doctoral degrees. The laboratory equipment of these stations is of domestically highest standard; they provide places for these outstanding young doctors to pursue research of their own free choice and opportunity to give full play to the further development of their talents.

Based on the principle of "voluntary participation and selection of the best," relevant policy determines that doctors being brought up in the various units must not join the post-doctoral flowing station of their own unit in the same discipline, and that those in the second term of post-doctoral work (each term is of two years' duration, every participant may not do more than two terms) must move to the post-doctoral flowing station of another unit. On this point, the president of Nanjing University, Qu Qinyue [2575 2953 1471], remarked: "The post-doctoral flowing stations are like a flowing stream of water among stagnant waters; it is a fluid organization for scientific research."

Many scholars and scientists who have returned to China after having earned doctor degrees abroad, and who have now joined the said stations, are still using their links with the academic agencies, associations, and organizations abroad, with which they had been connected, for widest international academic interchanges and cooperation. The Xiamen University has recruited 16 post-doctoral scholars during the last two years, of whom 10 hold doctoral degrees from abroad. Apart from undertaking the state's key research projects, they voluntarily accepted grants for almost 30 natural science research projects and over 2 million yuan in grants-in-aid from abroad for cooperative research. They also received from abroad, some gratuitously and some on long-term loan, instruments to the value of over \$3 million, and built up laboratories to domestically highest standards for work in physical chemistry and analytical chemistry. At the same time, one-third of these post-doctoral scientists went abroad to participate in international academic meetings or cooperative research.

Before long, there was a break in the tradition that it was only the Chinese students who would have to cross the oceans for post-doctoral studies in the developed countries. Now, 10-odd foreigners with doctor degrees from the United States, Germany, Japan, Australia, and other countries entered the post-doctoral flowing stations of Beijing University, Qinghua University, Beijing Agricultural University, the Dalian Institute of Chemistry and Physics of the Chinese Academy of Sciences, and other such institutions. By accepting foreign post-doctoral scientists, the post-doctoral flowing stations extended further the international interchanges of talents and academic exchanges and raised the reputation of the Chinese post-doctoral system in international circles.

Although the doctor degree is the highest point in a person's career, those at the post-doctoral stage, having obtained the so-called "doctoral mortarboard," are continuing their upward efforts. They are just then in their prime years for inventive creations; research projects in their hands will bring benefit to all mankind, and they will be able to create in China a unique and completely new research arena.

In July of this year, a sample survey of the All-China Coordinating Committee for the Administration of Post-Doctoral Flowing Stations showed that the 261 post-doctoral scientists who had entered one of the said stations earlier, or who had already completed services at a station, had undertaken or participated in 414 of the state's most critical key projects, high-tech research projects, projects of the state's natural science foundation, or highly exploratory and advanced scientific projects. Nineteen out of this group have received commendations at the state and at the provincial level, somewhat over 10 projects have been filed for or already received patents, and 748 articles have been published by them in top-ranking international and domestic academic publications, or have been submitted as papers at international academic congresses. Their academic achievements are evidently higher than those of similar professionals who are not serving at post-doctoral flowing stations. This is especially the case with the 112 persons who had earned their doctor degrees abroad and returned to China, as they have abundant new scientific ideas and research methods and have been highly esteemed by units that have established the said stations. After completing their services at the flowing stations, 60 percent remain by mutual consent at the unit that had set up the flowing station, while the others through competitive selection have entered various institutions of higher learning and research organizations. The overwhelming majority of them have assumed positions as associate professors or associate research fellows. Twenty-six have been promoted outside of regular procedure to professors and research fellows. Experts in the various trades and professions are convinced that some of those serving in the post-doctoral flowing stations are already, or will become, China's scientific leaders in a number of new scientific areas.

### Widespread Anti-Hao Po-tsun Campaign Gimmicks

93CM0092A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 299, 4 Dec 92 pp 22-26, 29-32

[Article by Ch'en Jou-chin (7115 2677 4897): "Cover Story—'General' Premier Hao!—Investigation and Coverage of the Anti-Hao Phenomenon in This Year's Election"]

[Excerpts] [Passage omitted] Up to now in this Legislative election it appears that the candidates are making up an election culture museum in their speech, words, and actions. Without planning it and by tacit agreement, the theme falls on one person. This person is named "Hao Po-tsun. His person, his words, his deeds, there is nothing that has not become the object of the candidates' ink.

The Democratic Progressive Party (DPP) candidates certainly lead the ranks of Premier Hao Po-tsun's attackers. It appears that people in the DPP so bitterly hate the words and actions of Hao Po-tsun. [But] from another perspective, they have so much need for this type of person.

In the campaign literature of Yen Chin-fu, the candidate from the southern district of Taipei, Hao Po-tsun is described in the form of a tabular file. It refers to Hao Po-tsun with the word "dictator," calls him "privileged," and gives him the nicknames "k'u-pa-ts'un [0770 3640 2625]," and says he enjoys "abusing power, eating dog meat and raising dog's legs [sycophants to do his leg work]." Shen Fu-hsiung from the same electoral district says that Hao Po-tsun has become "a cruel ruler in harmony with Deng Xiaoping across the water" and "Deng Xiaoping's spokesman in Taiwan."

Hao Po-tsun advocates one China and all along has been accused by the DPP of being in harmony with the opposite shore. And in the critical written inquiries brought up by legislator Yeh Chu-lan in mid-November, in addition to the old "Wu San-kuei clique," he brought up the "gang of eight coup" and Hao Po-tsun always ranked first. Moreover, Hao's forces were accused of "inciting war between Taiwan's people and the people of other provinces."

When Ch'en Che-nan, the Kuomintang candidate nominated for the northern district of Kaohsiung, decried "the four enemy agents selling out Taiwan," Hao Po-tsun also ranked first.

Yen Chin-fu also used military leader terms "next generation warlord and leftover evil of the Chiang family" to describe Hao Po-tsun. This is the only campaign literature linking Hao Po-tsun to the Chiang family that can be seen now.

In the southern district of Kaohsiung in southern Taiwan, the speechwriters for DPP candidate Huang Chao-hui in every speech, whenever they want to bring

up Hao Po-tsun, use "black eyebrows" and "coarse eyebrows" or "k'u-pa-ts'un" to ridicule Hao Po-tsun.

In the over two years that Hao Po-tsun has been premier, he has had too many opportunities to give speeches. As far as he himself is concerned, they are clearing his chest, defending the truth, and protecting the citizens of the country. But for his enemies they exactly fit the idiom "the mouth is the primary source of calamities." Clearly if sociologists can compile Hao Po-tsun's statements into a "Sayings of Hao" book and criticize them one by one, the DPP in the election would be even less able to pass it up. [passage omitted]

The first campaign literature from the central party headquarters of the DPP called for "reformation and reformation again—issue an order in the morning and change Hao's happiness" to satirize Hao Po-tsun's well-known saying, "if the order issued in the morning is wrong, there is no harm in changing it in the evening."

Taichung County candidate T'ien Tsai-t'ing's campaign literature's main demand is that "Hao Po-tsun must apologize to the people of Taiwan." The reason is that in mid-October in T'ien Tsai-t'ing's Legislative Yuan inquiry of Hao Po-tsun, T'ien Tsai-t'ing asked, "If Taiwan's 20 million people in a citizens' vote approved a change to the official name of the country, would the government mobilize the armed forces to suppress it?" Hao Po-tsun at the time answered, "If it appears to President Lee that the Republic of China name has been seized and he does not mobilize, that would be an inconceivable incident."

When Miao-li County's Huang Jui-ming brought out the Second Righteous Campaign Report campaign literature, he listed Hao's saying, "If Taiwan changes its official country name, the national armed forces will suppress it" as a key point, and finally, Huang Jui-ming stressed that "Mr. Hao's sayings are ravings."

I-lan County's Ch'en Ting-nan, who is not affiliated with a party, also put out an anti-Hao campaign report attacking Hao Po-tsun's advocating the unification argument and encroaching on Lee Teng-hui's authority as commander and chief of the three forces.

The things that Hao Po-tsun has done also are ridiculed and attacked. The main propaganda weapon of Taipei County DPP candidate Cheng Yu-chen is the videotape of the inquiry of Hao Po-tsun in the Legislative Yuan. In one segment, Cheng Yu-chen says that now the first session of the legislature has disbanded and just like when the director of the board resigns, Hao Po-tsun, as general manager, should resign. Where is there further need of study?! So, there is no need to discuss Hao Po-tsun's removal.

Cheng Yu-chen in the meeting to request an explanation of the government, wantonly vilified Hao Po-tsun's relationship with former president of the Central Academy of Science and advisor to the Executive Yuan Huang Hsiao-tung. Cheng Yu-chen said that it was his

understanding that Huang Hsiao-tsung was a member of the Communist Party and Hao Po-tsun is suspected of harboring a communist spy.

In Hao Po-tsun's file in Yen Chin-fu's election posters three Hao Po-tsun exploits are listed. There are "the hiding in the trench shivering during the 23 August artillery engagement," "his bending over with both hands half kneeling on the ground and wagging his tail to Chiang Kaishek's third sister-in-law Mei Sung-ling and finally getting the job of chief of staff," and "blustering about the National Assembly chambers—having a little disagreement and leading the cabinet out in anger." [passage omitted]

Taipei County's Lu Hsiu-i this time uses the symbol of "white egret," a rather mild and rather equivocal depiction, and the theme of his criticism of Hao Po-tsun is "to uncover the myth of the six-year national construction."

Some of the DPP candidates have organized the "New Taiwan Welfare State Front." They are nearly 10, including honorary convener Shih Ming-te (Tainan City election district), Taipei northern district's Hsieh Chang-t'ing, and I-lan County's Lin Hsi-yao. Part of their common campaign literature is to display a comparison between "the common person's life" and "Hao Po-tsun's life." All together there are 17 aspects.

The first five contrasts are "a break down in law and order, missing children, and no guarantee of women's safety vs. the protection of a 24-hour guard," "extortive levies and miscellaneous taxes and a great many taxes vs. salary, public expenses, and special allowances and payment in kind generally tax exempt," "a heavy burden for health care vs the health care of the whole family being taken care of," inflation vs. a special military price for public education and welfare items," "the name of the country has lost leverage and when they leave the country they get no respect vs. going in and out by the official gate and avoiding trouble from others."

Along with the multitudinous comparative charts are two photographs. One is of an old man wearing cheap slippers because his feet are swollen from black foot disease, his two eyes are staring widely. Seven or eight very deep wrinkles are squeezed out on his forehead, and a few sparse and disheveled short whiskers surround his tightly pressed lips, an unbearable face. One certainly is Hao Po-tsun. He is standing on a golf course with grass as green as a cushion putting. The caption written under the two photographs is, "See, Hao Po-tsun's welfare kingdom."

I-lan County's Lin Hsi-yao finally also used the historical story of Emperor Tsin Hui's "Why do they not eat rice gruel?" to ridicule Hao Po-tsun's not understanding the people's suffering.

Hao Po-tsun's law and order cabinet also is being attacked. Chia-i County's Ts'ai T'ung-jung used "Hao Po-tsun's downfall is in the interest of all the people of Taiwan" as the headline of his third campaign report

and said that Hao Po-tsun boasts that his is a law and order cabinet, but the steadily rising crime rate and the mounting corruption cases and government and business collusion thoroughly shatter his myth and reveal his true outwardly strong but inwardly weak face. [passage omitted]

After so many after the fact and negative attacks, Taipei northern district's Ch'en Shui-pien first raised the doubts clouding Hao Po-tsun's use of public land in a most warlike manner. Presently, Taipei northern district's DPP candidates Hsieh Chang-t'ing and Lin Cho-shui and southern district's Yen Chin-fu have pursued the attack.

On 23 November, Hsieh Chang-t'ing's first campaign report attacked Hao Po-tsun's private use of public land and, at the same time, Hsieh Chang-t'ing called a press conference "to expose the inside story on the incident of Hao Po-tsun's seizing public land." A few days before the press conference, Hsieh Chang-t'ing as a legislator sent a letter to Hao demanding that he return the public land that he was occupying within two days or he would formally charge Hao Po-tsun. On the 23rd, Hsieh Chang-t'ing really went to the Shih-lin sub-court of the Taipei local court and pushed the button and filed a complaint.

What is more, Hsieh Chang-t'ing's second campaign leaflets had the title "Hsieh Chang-t'ing invites Kuan Chung and Wang Chien-hsuan to bombard Hao Po-tsun's special privileges," directed at the political star of the vaunted attack on special privileges within the Kuomintang and hoping that Kuan and Wang would join the ranks of those against special privileges and together provide a very good lesson against special privilege.

Yen Chin-fu's campaign literature also pointed out, "...Hao Po-tsun recently has repeatedly indicated that he wants to thoroughly investigate fake farmers speculating in farmland. Is it not strange to think that the model of these small time financial groups is none other than Hao?"

The DPP's Hsu Jung-ch'i, who entered the election on his own, is even more straight forward in employing peculiar skills. He threatens that he will dismantle Hao Po-tsun's official residence to build power and draw votes.

Lin Cho-shui also was pointing to this incident when he went to the Taipei municipal prosecutor to push the button and accuse Hao Po-tsun of occupying public land of the city government public works and constructing an illegal building on a public street. The action also was accompanied by a cartoon. Hao Po-tsun is wearing a bamboo hat and holding a hoe in his hand. The caption is, "Papa Hao seizes public land and Mama Hao poses as a farmer."

In summation, cartoons are a very popular "ammunition" for DPP attacks on Hao Po-tsun. In Lin Cho-shui's campaign literature, Hao Po-tsun is drawn as an "eight-clawed octopus," indicating that in Hao Po-tsun's clique

there are such "national reconstruction four great spoiling kings" as the military, Taiwan traitors, financial cliques, Huang Fu-hsing, Ch'en Yu, Tseng Yuan-i, P'an Li-men, and Lai Shih-sheng. On the poster it says that the mission of the Taiwan opposition movement has changed. Opposition to Hao should be thorough and every support to the eight-clawed octopus Hao Po-tsun should be broken off. [passage omitted]

There also is Taipei northern district woman candidate Fan Hsun-lu, who uses a cartoon that involves Kuomintang candidate Ch'en Cheng-chung kneeling in front of Hao Po-tsun. Yun-lin County's Liao Ta-lin also uses a cartoon as a theme on his campaign poster. In the picture, Hao Po-tsun directs a pack of bad dogs and bad wolves surrounding and attacking Liao Ta-lin. Liao Ta-lin then single-handedly wields a club and meets the attack.

Ch'en Shui-pien, in addition to attacking the Hao family fake farmer special privileges, in his campaign literature uses six photographs of Ch'en Shui-pien picking up the document of the Six-Year National Construction Plan and throwing it at Hao Po-tsun in the Legislative Yuan last 12 March. It says, "Hao Po-tsun beaten by 'Pien,'" and prominently reveals Ch'en Shui-pien's efforts to destroy Hao Po-tsun's myth.

Kaohsiung northern district DPP nominee, Chu Hsing-yu, in the Kaohsiung city council is a councilman belonging to the short, crafty, capable, and active group. His first anti-Hao campaign literature also uses a photograph. Chu Hsing-yu jumps on a table and with his right hand points at Hao Po-tsun's accompanying photograph. It indicates, "When Chu Hsing-yu gets elected, Hao Po-tsun, you will truly be sad."

Besides images, inventing few off-handed easy to remember slogans to attract the electorate also is rather popular. For example, Keelung DPP candidate, Li Chin-yung, brings out, "Down with the 'Kuomintang,'" (substituting 18 palms for the party emblem), because in subjugating the dragon, 18 palms were the only fighting skills of the leader of the band of beggars in Chin Yung's novel, it is obviously easy to understand and interesting. The "first pattern" for Li Chin-yung's 18 palms was "Li Chin-yung fights hard against the villain Hao."

Minnan dialect jingles are very much in vogue in southern Taiwan. When they are read out loud, people cannot help but laugh. A jingle that Kaohsiung northern district's Li Ch'ing-hsiung devised that must be used in every speech is, "If you want one China and one Taiwan, Hao Po-tsun must fall; if you want one China and one Taiwan, Hao Po-tsun must be changed from office; if you want one China and one Taiwan, Hao Po-tsun must be carried to the grave."

Kaohsiung city councilman, Ch'en Kuang-fu, who is campaigning to transfer to the legislature, already has deep support. Up to now he has not given a speech and has no campaign literature. He just greets people along the street. But he also spreads a slogan among the public,

"If the DPP take office, they will send Hao Po-tsun to the veterans' general hospital; if the DPP take office, they will carry Hao Po-tsun to his grave." [passage omitted]

Chia-i's Ts'ai T'ung-jung, a candidate for headquarters, made up a doggerel. Recently, Hao Po-tsun at the Chia-i Chung-yu Reception Center, went into breakfast together with the Yun-Chia-Nan Kuomintang candidates and the headquarter's wall poster had a doggerel on it describing the Kuomintang candidates as looking to Hao Po-tsun as the booking agent for poison feelings, "If the premier comes to see [them], they do not want to embarrass Hao at all, afraid to reveal his weakness and not offending the emperor."

For many years, DPP attacks on Hao Po-tsun have been limited to the oral and written levels. [But] it can be expected that Taichung's Ch'en Yang-te will incite a string of "active alliances to overthrow Hao" and on 2 December they will mass and move on the Executive Yuan.

Yun-lin County's Liao Ta-lin has already used Hao Po-tsun as an excuse for activities to build his power. On 15 November, when Liao Ta-lin went to the Yun-lin County election commission to register, he made special arrangements for an anti-Hao demonstration.

Right in front of the Yun-lin County government [building] there is a statue of Chiang Kaishek. In front of the statue, Liao Ta-lin loudly denounced Hao Po-tsun for selling out the Taiwanese, "He is all along making eyes at the Chinese Communists." He wrote a "Down with Hao Po-tsun" poster and attached it to the statue. Next the crowd following Liao Ta-lin when he registered took eggs and paint wads that had been prepared ahead of time from their cars and threw them at the statue. Finally, after the crowd loudly shouted "Down with Hao Po-tsun," they left.

Some DPP candidates also boast of various titles to raise their morale to fight with Hao Po-tsun. These acts tightly grab the electorate's curiosity and feeling of watching a play.

In Kaohsiung Chu Hsing-yu's style of questioning the government has been to sit on a coffin, lifting up the coffin and parading through the streets to protest the Wan-shou-shan Cement Plant's polluting the environment. He has been a skilled fighter in the assembly. In this campaign, Chu Hsing-yu boasts that he is "a small warrior fighting a fearful dragon," he is "the end of Hao Po-tsun" and "wants to use Taiwan's fist to destroy the imperial guard."

Chu Hsing-yu in his speeches says that he is the DPP's "field commander" and he hopes that the people of Kaohsiung will use the ballot to send him to the Legislative Yuan and with civilian DPP leaders Ch'en Shui-pien, Hsieh Chang-t'ing, and Chang Chun-hsiung "combine force with words." When encountering these people [such as] Hao Po-tsun and Chao Shao-k'ang and "When

speaking does not get through, turn to me, Chu Hsing-yu, to raise the charge." When Chu Hsing-yu's speech reaches this point, the crowd bursts into fervent applause. Privately someone responds in conversation and says, "In dealing with people like Hao Po-tsun, we can only rely on Chu Hsing-yu's using force, speaking is ineffective." [passage omitted]

Chu Hsing-yu's literature says, "When Chu Hsing-yu goes to the Legislative Yuan, he will 'put an end' to Eunuch Hao's cabinet. With Chu Hsing-yu there will be no regrets. He wants to work himself to death for the Taiwanese and expose and painfully beat these dregs. Chu Hsing-yu is a hero to us Taiwanese. We will use the ballot to support him."

Chou Po-lun is matched with Chu Hsing-yu and they are called the southern and the northern activist factions. He also calls himself "the invincible P'in-ming San-lang." He says that he will use this fighting spirit "to burst into the Legislative Yuan and specifically strike Hao Po-tsun."

At his election headquarters on the corner of Pan-chiao Wen-hua Road and Min-sheng Road, Chou Po-lun has hung a huge sign and on it are written the words, "Hao Po-tsun, Look at the Signs." Next to it are stuck two banners dripping with blood.

Chou Po-lun says that although the DPP has professional legislators such as Yeh Chu-lan, Ch'en Shui-pien, Hsieh Chang-t'ing, and P'eng Pai-hsien, Hao Po-tsun still sits on the premier's throne. So, what the Legislative Yuan needs is someone like him, "a democratic general who can with one hand pull down the head of the investigative bureau."

Hao Po-tsun's wife, Kuo Wan-hua, has not been able to escape from this wave of anti-Hao fever. The "fake farmer" image has pursued her all along. On 2 November when Kuo Wan-hua was at the Chinese Shipping Keelung shipyard to christen the Chung-hua-hung Liner, DPP Keelung candidate Li Chin-yung led his troops to the end of the She-liao Bridge on Peace Island as a show of force to protest her use of special privileges to purchase land to seek a profit. The Keelung Port Authority let Kuo Wan-hua board a special conveyance from the west bank dock after the event to evade Li Chin-yung's protestors. Li Chin-yung then put out a campaign cartoon. In the cartoon an old lady in a boat is putting forth great effort to row. On the boat is written, "Madame Hao escapes by water in a special boat." It has an extremely satirical flavor.

This year's convention initiated the DPP's concentrating their fire on Hao Po-tsun. One of the braintrusts for DPP candidates' campaign literature said that this year's topics of discussion are very hard to grasp. The past two or three years they have been more or less "blown up" and the media are very interested in the point of assault. Opposing Hao Po-tsun is very stimulating.

Indeed, the legislative election at the end of 1992 is the first since martial law was lifted and the electorate along with the candidates have a great release of their spirits. The 28 February injustice and forty years of restrictive dictatorship are spewed out together. So, now the greatest focus of [people's] condemnation is on the Chiang family father and son, especially Chiang Kaishek. [passage omitted]

Every Taiwan election campaign up to now has had one indispensable [item]—they have to have an enemy. Probably, following the past forty years of Kuomintang and Chiang family rule and even related to the Japanese colonial [period], a specific person acts as a substitute for venting dissatisfaction, and when they are vented, they can be channeled. Before it was Chiang Kaishek. This year the new enemy is Hao Po-tsun.

Why is it not Lee Teng-hui? He is the chairman of the Kuomintang and the president and has constantly sung an opposing tune to the DPP, he says that Taiwan cannot go independent. Also, like Hao Po-tsun, he enjoys 24-hour guard and public security and tax exemption, and goes in and out from the official gate. Why is Lee Teng-hui not attacked?

Some say that it is because he is Taiwanese. Some say that it is because in the central standing committee he said, "It is not me that you should criticize. In our party there are several comrades who now look at the Chinese Communists, and if they are not pro-communist, then they want to use the Chinese Communists as an excuse to put down our own people. There still are quite a few of that type of people!"

No matter what, the electorate is generally sympathetic to Lee Teng-hui. Huang Chao-yao said that once he picked up a table in the National Assembly and now voters still ask him why he picked up Lee Teng-hui's table. He has to explain that he did not turn over the veteran representative's table. What is more, at that time Lee Teng-hui was in the front and he turned over the table in the back.

Because there is no need for candidates to sing a contrary tune to the electorate, Huang Chao-yao says that at most he can only "urge" Lee Teng-hui.

Kuomintang think tank members Wu Tzu and Ch'en Che-nan, one is registered with the Kuomintang and the other is nominated by the Kuomintang, also in an unprecedented way condemn Hao Po-tsun.

If it were not for the "Kuomintang Taiwanization" logo printed on Wu Tzu's campaign materials, and we only saw his slogan, "The pawn crosses the river to check the general, Wu Tzu fights a major war with Hao Po-tsun." and his fierce words and actions criticizing Hao Po-tsun in public, we could really mistake him for a DPP candidate. [passage omitted]

Compared to a number of Taipei County DPP candidates who have converted in droves to a soft appeal, Wu



Tzu's move to make use of various campaign materials to attack Hao Po-tsun is rather refreshing to people.

The tools that Wu Tzu uses to attack Hao Po-tsun include: videotapes, news releases questioning the government, campaign reports, bags, cushions, farmers' calendars, and transcripts of interpellations in the Legislative Yuan.... On each tool in addition to the obligatory logo, "Taiwanize the Kuomintang, Taiwan First," they all need to have a satirical cartoon printed. In the cartoon, Wu Tzu, smiling broadly, is holding a fan with the happy society of Taiwan's 20 million people printed on it. On the right is Hao Po-tsun holding a wolf-fanged club in a towering rage with a cold sweat pouring out and gnashing his teeth. This is accompanied by, "The pawn crosses the river to check the general, Wu Tzu fights a major war with Hao Po-tsun." The whole cartoon expresses a fiercely anti-Hao message.

The content of the videotape is mainly Wu Tzu's general interpellation of Hao Po-tsun and Hao Po-tsun's answers. What is rather peculiar is that while Hao Po-tsun is answering, in the videotape a rebuttal to what Hao Po-tsun is saying is often inserted on the screen. For example, when Hao Po-tsun says that he never said that his was a law and order cabinet, on the screen appear the words, "The law and order cabinet surrendered." When Hao Po-tsun says that if there had not been the eight-year War of Resistance, there would not be a Taiwan, on the screen appear the words, "Was the eight-year War of Resistance for Taiwan?" This videotape is Wu Tzu's strongest weapon in his attack on Hao Po-tsun. It is said that 10,000 copies are already sold out.

In addition, Wu Tzu has held numerous fund-raising dinners in such places as Hsin-chuang and San-chung. Each dinner amounts to a "Wu Tzu criticizes Hao meeting." In the meeting, Wu Tzu need only bring up "Down with Hao Po-tsun" and the place immediately breaks into thunderous applause.

Ch'en Che-nan has become the "the daring anti-Hao vanguard" for all of the candidates of Kaohsiung's southern and northern districts. At the 18 November "My Stand" symposium handled by the "Fifth Watch Drum" Society, Ch'en Che-nan yelled out, "If I am elected to the legislature, next February we certainly will pull down Hao Po-tsun and at the same time in April we will strongly support Lee Teng-hui's election as president to act as a truly Taiwanese president." And this made Ch'en Che-nan the center of the anti-Hao tide in the Kuomintang and the primary target of the faction supporting Hao who want to use party discipline to deal with him. [passage omitted]

Ch'en Che-nan in his Kaohsiung election activity, at the dinners with neighborhood leaders insists on showing the "Ch'en Che-nan Fights All Out Against Hao Po-tsun" videotape questioning the government. The main content is that Ch'en Che-nan in the 90th Session of the Legislative Yuan, interpellates Premier Hao Po-tsun's administrative report, using it to reveal that the slander

of Ch'en Che-nan's "one China, one Taiwan case" is part of an undercurrent within the Kuomintang to dump Lee.

The heading of Ch'en Che-nan's interpellation draft is "native land, the middle road, and reform" and it is focused on the Hao cabinet's "if the order issued in the morning is wrong, there is no harm in changing it in the evening," from early on saying that the Ai-hsin lottery would be stopped and then stopping it, the Taipei-I-lan high-speed highway's being suspended in the middle, the original plan for an elevated railroad's being overturned by regional development, stopping construction on the second elevated inner beltway from Taipei to T'ao-yuan, aborting Kaohsiung's deepwater port, government-run running water's dying without any apparent ailment, the unification of the Kaohsiung port and city's being put off indefinitely, angrily rebuking Sun Chen and condemning Hsu A-kuei, and making public pronouncements that good people do not sing karaoke and "on their own" demanding that mainland labor's coming to Taiwan be liberalized, causing the original labor commission's guarded and fearful mainland labor policy to begin to be relaxed and unpolished policy making. In the videotape Ch'en Che-nan also knocks Hao Po-tsun for having said, "Wasting time is corruption." Ch'en Che-nan also adds a sentence, "Unpolished policy making is even more fearful than corruption. I do not know what Premier Hao's view is."

#### **Obnoxious Election Culture: Vote-Buying Remembered**

93CM0093A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 299, 4 Dec 92 p 80

[Article by Chen Chao-chen (7115 0340 7201) (oral) and Liang Hsin-ju (2733 2946 1172) (written): "Campaign Workers Go From House to House to Buy Votes and Send Gifts—Chen Chao-chen on bribery in Ilan Elections"]

[Text] Before I recall Ilan's history of election bribery, I want to stress a point first: It can be said that bribery in elections is a result of the obscurantist policy pursued by the Kuomintang. How is that so? Because of the shadow of the white terror imposed on the people by the Kuomintang for so long, the people became afraid to discuss politics. Gradually the people have also become apathetic about politics with the feeling that "whoever gets elected makes no difference."

Talking about the history of election bribery in Ilan, back in the old days the candidates were all prominent local figures, who had no need to resort to bribery and rarely did. At most they would call on every household and ask the people to please vote for them. Occasionally their campaign workers would buy some candies and cigarettes to treat the local voters. Later on, when I ran for a seat in the Seventh County Board of Supervisors in 1968, I was aware that there were some who tried to get elected by bribery. The bribes were then small and secret, not given openly as they are today.

As I have observed, bribery in Ilan elections became serious in the last decade and reached a peak when Kuan Chung [7070 0022] was chairman of the Kuomintang provincial headquarters. At that time, the Kuomintang said that "it would win elections by fair means or foul," and getting elected by bribery has since become common practice. As elections are being contested with increasing ferocity, Kuomintang-nominated wealthy members of local factions, for the sake of face and to gain political capital for themselves, resort to large-scale vote-buying to give themselves a sense of security, and they do this openly without fear.

In contrast, nonparty candidates look fresh, and most of them are not rich and have no money to buy votes. Even if they intend to buy votes, they are afraid of being caught by the Kuomintang. Nonparty candidates rely on cultural and publicity campaigns, unlike the Kuomintang which relies on manpower, money, and organizational campaigns.

The Kuomintang's way of buying votes is to give money to each household through the village and neighborhood heads and campaign workers. In the past, the Kuomintang could easily get these people mobilized, and they were all very cooperative. Just telling them they would be rewarded with an insured future was enough to get them into action. Now the village and neighborhood heads have become more democratic-minded and are not so cooperative as before, except that the older village and neighborhood heads, unable to say no, may still be helpful. The less-educated campaign workers are still very active in vote-buying.

There are several ways to buy votes. One type of campaign worker simply deliver to each household the money or monosodium glutamate they have received for this purpose without saying which candidate to vote for. Another type will first have a chat with you; if you say that you may vote either way, they will offer to buy your vote; if you indicate that you will vote for the Democratic Progressive Party, then they will not try to buy your vote. The candidates usually get their campaign workers from among friends and relatives or through introductions. The experienced campaign workers know which households can be bought, and which household cannot.

Vote-buyers have been arrested many times in the past. When arrested, the campaign workers all claimed that giving presents or money to voters was "only meant to encourage them to vote." It was also difficult to obtain proof, and all the cases were dismissed without a verdict.

Besides cash, the bribes I have seen used in elections in the last decade include mainly suiting materials, wrist watches, juicers, water heaters, and fountain pens. In the last National Assembly election, the cash bribes ranged 500 yuan to 1,000 yuan.

The Ilan people have also become wiser. In the past, if they accepted a bribe, they felt obliged to vote for that specific person. Now they will accept any bribes, the more the better, and they won't tell which way they have

voted afterwards. (Note: Mr Chen Chao-chen, 62, has served as a member of the 7th, 8th, and 9th Ilan County Board of Supervisors. He was a Kuomintang member, but became well-known for daring to speak out. Before preparing to run for the Taiwan Provincial Assembly, he was arrested by the Kuomintang on charges of "corruption," and although he presented counterevidence to prove his innocence 100 percent, he was still sentenced to seven years in prison. He was released from prison in 1987. He has no party affiliation now, and runs an office of legal services in Lotung.)

### KMT Central Standing Committee Reviews Election Performance

93CM0127A Taipei TZULI CHOUPAO  
[INDEPENDENCE POST WEEKLY] in Chinese  
No 187, 1 Jan 93 p 4

[Article by Lan Hun (5695 5526): "The KMT Settles Accounts Through a Heated Debate Over Its Election Performance"]

[Text] The halls of the KMT Central Standing Committee (CSC) resounded on 23 December 1992 with a wave of self-criticism over the causes of its recent election defeat. CSC elders, such as Yu Kuo-hua [0205 0948 5478] and Li Kuo-ting [2621 0948 7844], and middle-aged ones, such as Kao Yu-jen [7559 5148 0088], Su Nan-ch'eng [5685 0589 2052], and Chien Han-sheng [4675 3352 3932], broke ranks to form the spokesmen for two factions, which made rival claims as equals. The first faction directed its criticism straight at Sung Ch'uyu [1345 2806 3842], charging that "those responsible for the election defeat should take the responsibility for it," and calling for a personnel reorganization to be carried out as soon as possible, while the second one unanimously defended the party's candidate-selection system, directing its criticism at Premier Hao Po-ts'un, claiming that certain wrong pre-election steps taken by the administration had led to popular discontent, so were the major cause of the candidate-selection system's mobilization failure.

While President Li Teng-hui certainly did not complain about the election results that day, he did accept the suggestion of CSC members, such as Yu Kuo-hua, Li Kuo-ting, and Li Huan [2621 3562], instructing them to set up a special group of selected CSC political and party groups to conduct a further self-criticism of the causes of the KMT's 1992 legislative election defeat.

Who should be fired or forced to step down as a result of this KMT election defeat? Except for the "depression in the ranks" of the KMT since the election, this question is the most sensitive one and the sharpest focus of attention involving overall party and government personnel. It is also the reason why the charges in the KMT CSC that day have become a sort of "target" of everyone's attention.

After the CSC heard the report on the 23rd of the organizational working group's self-criticism of the

second legislative elections, elder CSC member Yu Kuo-hua spoke first. He stated that it was of great concern that the KMT setback in this legislative election was much different than the one in 1991, so that he hoped that the party would take positive action to frankly criticize its shortcomings and assess them fairly. He recommended that the KMT Central Committee set up a special group to conduct a self-criticism of its election performance and make suggestions for improvements.

Yu Kuo-hua then turned and indicated that as the KMT was a responsible, organized, and disciplined political party that had suffered an election defeat, whoever was responsible for this should take the responsibility for it, and that the party should conduct an appropriate personnel reorganization to deal with some who had held office for too long. He went on to point out that as the party was going to be faced with a host of duties in the near future, he hoped that its personnel reorganization would be carried out as quickly as possible without delay.

The next speaker, Li Kuo-ting, blamed this election defeat on the party's having nominated the wrong candidates. He said that as the candidates that the party wanted people to vote for were all wrong, how could people vote for them? He also echoed Yu Kuo-hua's recommendation that the party set up a special group to conduct a self-criticism of the party's nomination and selection tactics for this election.

CSC member Hsu Sheng-fa [6079 0524 4099], who has strong connections in industrial and business circles, noted that the defeat of many financial-group and enterprise figures had contributed to the party's poor election performance. He pointed out that while money-power politics was clearly to blame for the party's poor election performance, having money is certainly not a crime. He said that while the misuse of money should be criticized, the anti-business feelings that it stirs up are of more harm than benefit to Taiwan as a nation that is founded on economics. He called for the continued future development of industry and commerce, premised on inner-party unity, and in the interests of the whole party instead of individuals.

Su Nan-ch'eng was the first to attack and refute the previous criticisms by CSC spokesmen, such as Yu Kuo-hua, which had been directed at the party affairs system and Sung Ch'u-yu.

Su Nan-ch'eng said that election successes and defeats were ordinary matters, and that the current election defeat was not necessarily a bad thing for the KMT. He said that as election performance should be evaluated from an overall perspective, and many factors were involved in the current defeat, it was not necessarily fair or rational, as well as deviating from the overall perspective, to blame it all on the party affairs system. He noted the following: As all of the figures involved in the party affairs selection-system for this election gave their all,

with the problems at times growing out of wrong administrative steps, party affairs personnel involved in candidate-selection should be given more encouragement instead of being overscrupulously blamed. Firing Secretary-General Sung will certainly not resolve the problems. As the election policies and candidate nominations were all discussed and approved by the CSC anyhow, it is also to blame, so that we cannot demand that just a few people be blamed for the defeat.

Kao Yu-jen, who had been successfully elected to the new legislature, then said that as the same adverse election conditions of the 20 days preceding the legislative elections three years ago had recurred this time, the party should conduct a thorough self-criticism to find the source of the problem, instead of onesidedly blaming it on weak candidate-selection by the party affairs system. He pointed out the following: The "macroclimate" preceding the 1992 legislative elections was an adverse one. None of the political events that occurred at the time were ones that party affairs personnel involved in candidate-selection could have reversed. The polarized provincial mindset deterioration had a particularly bad impact on Legislative Yuan operations. He noted that the KMT still holds 102 seats in Congress, so that if it establishes a moderate force in the Legislative Yuan, inner-party unity for consistent passage of key motions will be more important than self-criticism of election techniques.

CSC elder Chao Tzu-ch'i [6392 5261 7871] then pointed out that long before he voted, he had heard on the Central Broadcasting telephone hotline news program that many people had decided not to vote for KMT candidates in 1992 because of KMT actions, such as resuming pay to congressional delegates, which violated a political promise. He noted that these public opinion polls showed that KMT decisions on many matters were obviously out of line with the public will, and that the lesson learned from this election defeat was that the party needed to further enhance its links and contacts with the Legislative Yuan's working committees and the coordination function of its Policy Council, in order to conform to public demands.

After listening to a number of CSC members criticize the party affairs system for its poor candidate-selection, Chien Han-sheng, the Taipei party committee chairman who was responsible for Taipei's election forces, finally could not take it anymore and demanded to speak in his capacity as a delegate, pointing out that while it might cost him his job as committee chairman, there were some things that he had to say.

Chien Han-sheng said with some agitation that while the candidate-selection department could not deny a certain amount of responsibility for the party's current election defeat, unclear or even wrong administration policies had caused popular discontent, which had made it hard for the candidate-selection system to take the right actions. He pointed out unclear or wrong pre-election policies, such as a wave of higher land taxes, the lowering

of securities exchange taxes, the economic recession, and the stock market slump, of which the increased land taxes "had come out of Taipei, but were unacceptable by the time they reached central and southern Taiwan," and the economic recession and stock market slump "had caused difficulties for stock market investors."

In addition, he pointed out that "a few administrative-system government officials had resigned before the elections, creating inner-party disunity," so that their participation in the elections had made the candidate-selection work even harder.

Chien Han-sheng's outspokenness created a standoff in the CSC, which one delegate described as "very strange."

Eyewitnesses described the atmosphere at the meeting after Chien Han-sheng's speech as being icy, and when Premier Hao Po-ts'un demanded to speak right after Li Huan, the participants became even more on edge, fearing an even sharper debate.

Hao Po-ts'un looked quite unhappy as he said "I was not going to speak, but am being forced to by the criticisms of the administration by some comrades." He then said in a rhetorical tone "is our economy so bad?," "does our stock market have to break through the 10,000 mark to be called prosperous?," and "our election self-criticism should be conducted according to the principles of sincerity, openmindedness, objectivity, and conscience, instead of being influenced by DPP propaganda."

He said that if the administration truly needed to make a self-criticism of its election performance, it would certainly do so with absolutely no attempt to evade it. But he stated his own opinion that the administration "was absolutely on firm ground" as to its policies and steps.

Except for Hao Po-ts'un's speech that was provoked at the last minute, neither Hsu Li-nung [6079 2980 6593], non-mainstream retired selection-committee chairman, or CSC member Shen Ch'ang-huan 3088 2490 3562] spoke at the meeting. Neither President Li Teng-hui or Secretary-General Sung Ch'u-yu commented on the party's election performance. The "restraint" that was exercised by the two factions meant that while there were some fireworks at that day's meeting of the CSC, they certainly did not turn into the kind of factional standoff that had occurred in the CSC on 11 November 1992, which had added to the sharp inner-party turbulence.

But CSC member Shen Ch'ang-huan "presented" the party central committee with the following 16 words of advice through the media after that day's meeting: "Learn this lesson well, make an openminded self-criticism, conduct a thorough reform, and unite in good faith."

### Reflections on 1992 Legislative Yuan Election

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[Article by Li Hung-hsi (2621 7703 4406), professor of Law at Taipei U: "Reflections on Second (1992) Legislative Elections"]

[Text] After an uproar of almost six months, the second legislative elections are now over. Multifarious and dizzying election tricks to get votes through intrigue and treachery of all kinds certainly occurred everywhere, showing the vulgarity and inferiority of our election process and the immaturity of our political culture. Moreover, the results of these elections, as to the percentages of votes and legislative seats won by each political party, and the local pulse of pushing and pulling and slipping and sliding of political party might and structure, also contained veiled warnings of more and sharper political upheavals to come. So it is essential now to soberly and objectively analyze the implications of this election process and results, as a forecast of Taiwan's future prospects.

The vain barefaced lie of "rule by law" that the governing party has told over the last four decades or so to maintain the stability of its regime, had maintained a monopoly of the elders in the first "highly qualified" Legislative Yuan, which is Taiwan's political center. So the ruling party had to win as many congressional seats as always in this second reelection to continue its rule successfully. Meanwhile, the opposition DPP had to win more congressional seats, in order to achieve a better balance and build a basis for coming to power in the future. As their performance in these congressional elections was of such importance to the future might of the ruling and opposition political parties, they spared no efforts in a fight to the death of racking their brains, giving their all, and even burning their bridges behind them.

It cannot be denied that the ruling KMT's key electoral might has long been its having taken full advantage of its huge governing organization, by combining the nation's strong political, social, military, and economic resources with our enormous financial might without regard for party, government, or military distinctions into a collection of personnel and material aid. Elections operated with command and control by the ruling party's central and local forces as their "warp," and with the help of local factional solidarity and the imperial-revival Party Ministry as their "woof," to build an all-enveloping and all-powerful electoral system framework with an unstoppable force. In order to maintain its whitewashed image as a democratic ruling party, the KMT ensured that its candidate-nomination process not only excluded as much as possible entrepreneurs and financiers, in order to curb local power, but also had the imperial-revival Party Ministry "assign" and "dispatch" votes to local election districts, giving very little consideration to

allowing them to nominate representative candidates. Meanwhile, it also excluded politicians with strong ties to money, violence, and the military, making it hard for them to sneak into party and government centers through the legislature.

But faced with the increasing wave of Taiwan independence and the rising challenge to its rule as a political party in the last dozen years, the KMT has taken certain actions to consolidate its regime. On one hand, it has been unable to adhere to its principle of government detachment from party elections, so has openly used government control of national resources, such as executive organs, state enterprises, schools and universities at all levels, its media monopoly, and the army, to control and manipulate its power, and to serve as its key electoral resources. On the other, it has desperately nominated election "candidates" of so-called "gold-bull" and "military-representative" types and even ones with a certain "mafia" smell, in an attempt to take advantage of the votes that such candidates can control through money, violence, and military might, so that it can win elections regardless of the consequences. In these second legislative elections, the ruling party used up almost all of the means that it should have, as well as ones that it should not have, which is precisely why its election performance was a failure. This should be seen not only as a sharp warning to the ruling party, but also as good material for reflection on its loss of the mainland. The rapaciousness and collusion of financial tycoons, military men, and mafia types is often the root cause of collapsed regimes, of which history is full of examples.

The key electoral resources of the opposition DPP have suffered for many years from multilateral and forceful suppression and restriction. In other words, the DPP's most powerful political demand, for Taiwanese independence, has naturally been shackled by Article 100 of the Criminal Law, while expansion of its supporters has been restricted both tangibly and intangibly, curbing their possible growth. It was only in the current elections

that not only could "Taiwanese independence" be called for openly, but the overseas "blacklist" was also abolished, so that public openness enabled more academics to take part and the DPP to fully promote its electoral advantages. As luck would have it, many years of government corruption were exposed recently, with endless examples of collusion between ruling party congressmen and government officials to acquire enormous privileges, which led to the DPP's election success and great progress. But this does not necessarily mean that the DPP's future will certainly be all smooth sailing. This is because the DPP won a relative victory in this election only because it not only played all of its electoral trump cards, just like the ruling party, but also took advantage of the strong "public discontent" that the KMT had accumulated for so many years, and made certain demands that the public had long hoped for. As the ruling party is now likely to carry out policy and organizational reforms, in an attempt to retrieve its gradual loss of public trust and focus social centripetal forces, the DPP must quickly reorganize the electoral process, resolve inner-party misunderstandings among its comrades, and begin to study and debate various key policies that are detailed and feasible, in an attempt to form a shadow cabinet. Meanwhile, it must work hard at building local party organizations and getting more deeply involved in civil affairs. If it does not, it will not necessarily face such a good opportunity for dissent three years from now, in which earnest public demands for change and reform will help it to grow and develop.

While these legislative elections brought some small change to the relative positions of the ruling and opposition parties, it is absolutely undeniable that the Taiwanese people were their biggest winners. The overall results of these elections certainly prove that the people can withstand the unfair urgings of the electronic broadcast media, will not be lured by offerings of banquets or cash, cannot be kicked around by mafia types, will not be fooled by indoctrination or propaganda, can withstand military blockades and quota votes, and are gradually gaining electoral prowess, taking part in politics, and developing a more ideal political process that is independent and detached.

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